

Finance & Audit Scrutiny Committee

Wednesday 10 February 2021

A meeting of the above Committee will be held remotely on Wednesday 10 February 2021, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor Nicholls (Chair)

Councillor L Bartlett

Councillor G Illingworth

Councillor J Dearing

Councillor M Luckhurst

Councillor R Dickson

Councillor S Syson

Councillor J Grey

Councillor J Tracey

Councillor T Heath

Councillor T Wright

Agenda

Part A – General

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 9 December 2020

(Pages 1 to 6)

Part B – Audit Items

4. Annual Audit Letter 2019/20

To consider a report from Finance

(Pages 1 to 21)

Part C – Scrutiny Items

5. Treasury Management Strategy 2021/22

To consider a report from Finance

(Circulated separately)

6. General Fund Budget and Council Tax 2021/22

To consider a report from Finance

(Circulated separately)

7. Review of the Work Programme and Forward Plan & Comments from the Executive

To consider a report from Civic & Committee Services

(Pages 1 to 8)

8. Executive Agenda (Non-Confidential Items and Reports) – Thursday 11 February 2021

To consider the non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

(Circulated Separately)

9. Public & Press

To consider resolving 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 the paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

10. Executive Agenda (Confidential Items and Reports) – Thursday 11 February 2021

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

(Circulated separately)

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General Enquiries: Please contact Warwick District Council, Riverside House,
Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.
Telephone: 01926 456114
E-Mail: committee@warwickdc.gov.uk

You can e-mail the Members of the Committee at
FandAscrutinycommittee@warwickdc.gov.uk

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Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 9 December 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

Present: Councillor Nicholls (Chair); Councillors: Bartlett, J Dearing, R Dickson, Grey, Heath (late arrival), Illingworth, Jacques, Luckhurst, Syson and Tracey.

Also present: Councillors Hales (Portfolio Holder for Business & Finance) and Matecki (Portfolio Holder for Housing).

41. **Apologies and Substitutes**

- (a) there were no apologies for absence; and
- (b) Councillor Jacques substituted for Councillor Wright.

42. **Declarations of Interest**

There were no declarations of interest made.

43. **Minutes**

The minutes of the meeting held on 11 November 2020 were taken as read and signed by the Chair as a correct record.

44. **Statement of Accounts and update from External Audit**

The Committee considered a report from Finance following the 2019/20 Audited Statement of Accounts having been signed off by the external auditors on 21 November 2020.

The external auditors had issued a paper attached as Appendix 1 to the report, for the information of Members of Finance and Audit Scrutiny Committee.

Progress on the audit of the 2019/20 Statement of Accounts was reported to the Committee on 30 September 2020, when work was nearing completion. The audit had subsequently been completed on 21 November, with the accounts receiving an unqualified opinion. As previously reported, the deadline for the accounts to be signed off this year was 30 November, this having been slipped by four months in view of the Coronavirus pandemic.

Grant Thornton, the external auditors, had issued the Audit Progress Report and Sector Update, attached as Appendix 1 to the report. This dealt with various matters that were likely to be of interest to the Committee, including an update to the Audit Findings Report that was issued to the September Committee meeting.

The Head of Finance thanked officers and external auditors for the significant amount of work put into successfully delivering the audit,

especially during the challenging times of the Coronavirus pandemic. Work **was now ongoing to prepare for the next year's statement of accounts.**

Ms Wren and Mr Patterson, representatives from Grant Thornton, the **Council's external auditors**, advised Members that:

- at the last report brought forward to the Committee, there were still a number of matters being worked upon. The information required had now been provided, which enabled the auditors to complete their work;
- the necessary assurances had been received from the pension fund auditor;
- with the next audit, there was a change in the way of reporting, whereby under the new Code of Audit Practice, which would see the **end of the Annual Audit Letter, and the introduction of the Auditors' Annual Report.** This aimed to take a more holistic approach at the **authority's arrangements and processes;** and
- across the client base, audits had taken longer to conduct as a result of remote working. Auditors were looking at fee increases of around 15-20%.

Mr Patterson thanked the Head of Finance and Warwick District Council officers for the good collaboration which enabled the audit of accounts to be signed off on 21 November 2021.

Councillors Illingworth and R Dickson congratulated both auditors and Council officers for their hard work in completing the audit ahead of the deadline working in challenging circumstances, but also for the reassuring results of the audit.

In answer to questions from Members, Ms Wren and Mr Patterson, the Head of Finance and the Portfolio Holder for Finance and Business advised that:

- the increase in fees would be across the board, **and Grant Thornton's** client base would be approached regarding this increase. It was not anticipated for this to be a flat increase but it would be in the region of 15% increase. However, local circumstances might be taken into account;
- with the change in how the audit would be conducted, it was expected that more work would go into it, which might lead to a fee variation. There were two parts to the audit: firstly, the review of the accounts, and secondly, giving the public a more holistic view around risks and providing value for money. The second part was important because it provided the opportunity to learn from the past, and enabled the wider public to read a commentary from the external auditor on what the Council was doing in the areas of governance and financial sustainability;
- work around the new financial system was progressing well, with an aim to launch the new system in July 2021. This meant that this **year's accounts would be completed on the current system;**
- as there was more joint work taking place with Stratford-on-Avon District Council (SDC), this aspect would also be looked at by the external auditors. SDC used a different external auditor and Mr **Patterson's previous experience on similar joint work was limited to** the two local authorities sharing the same external auditor. This was something the auditors would have to further look into; and

- Councillor Hales would discuss with the SDC Finance Portfolio Holder regarding what financial system SDC used and its compatibility with **WDC's new financial system**.

The Portfolio Holder for Finance and Business thanked Councillor Syson for her involvement in the Project Board for the new financial system, which had been very valuable.

The Chair thanked the external auditors for providing details on the upcoming changes to the audit process around the value for money aspect, and asked that Members would be kept updated, especially around criteria on how this was to be measured. It would be valuable for the Committee to **be briefed on this in advance of the next year's accounts**.

Councillor Bartlett, the Chair of the Finance and Business Programme Advisory Board (PAB), suggested that the PAB could further look into the impact of the joint working with SDC in terms of the accounts.

On behalf of the Committee, the Chair congratulated the Head of Finance, the Finance team and the external auditors on the completion of the accounts, which had now been audited, and asked that this be recorded in the minutes of the meeting.

Resolved that

- (1) the completion of the audit of the 2019/20 Statement of Accounts, be noted; and
- (2) the Audit Progress Report and Sector Update from Grant Thornton, be noted.

(Councillor Heath joined the remote meeting following some technical issues.)

45. Internal Audit Quarter 2 2020/21 Progress Report

The Committee considered a report from Finance that advised on progress in achieving the Internal Audit Plan 2020/21, 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.

Members had responsibility for corporate governance, of which internal audit formed a key part.

At the start of each year, Members approved the Audit Plan setting out the **audit assignments to be undertaken. This year's Audit Plan had to be** revised due to the impact of the Coronavirus Pandemic. A revised Audit Plan was approved by Members on 30 September. A detailed analysis of progress in completing the Audit Plan for 2020/21 was set out as Appendix 2 to the report.

Management was responsible for the system of internal control and setting in place policies and procedures to help ensure that the system was functioning correctly. On behalf of the Authority, the Internal Audit team reviewed, appraised and reported on the efficiency, effectiveness and economy of financial and other management controls.

Each audit report gave an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands were shown in section 9.2 of the report.

Six audits were completed in the second quarter of 2020/21. The Internal Audit reports arising from them were available for viewing on the online agenda for the meeting.

The action plans accompanying these reports were set out for separate scrutiny as Appendix 3 to the report. This detailed the recommendations arising, together with the management responses, including target implementation dates. As shown in the Appendix, responses had been received from managers to all recommendations that were made.

Section 11 in the report detailed the implementation timescales, and Appendix 4 to the report gave details on the state of implementation of low and medium risk recommendations made in the third quarter of 2019/2020. There were no high risk recommendations issued in the first quarter of 2020/21.

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

The Audit and Risk Manager informed Members of a typing error in Appendix 2, where the variation (days) for the Principal Internal Auditor was +15.8, not 14.9 as stated in the report.

In answer to a question from Councillor Tracey, the Audit and Risk Manager advised that in relation to Appendix 3 to the report, the information in the **last column, "Management Response and Target Implementation Date (TID)"**, was taken from each respective audit. The TID had been agreed with the responsible officer. However, in those cases where the date had already passed, one should not assume that the TID had not been met. Appendix 3 to the report was offering a summary of the recommendations, and the progress of their implementation would be reported in a future Appendix 4 at a later meeting.

Councillor Syson congratulated the Audit and Risk Manager and his team for completing the audits, especially given the new homeworking practices officers had to quickly adjust to.

Resolved that the report and appendices be noted.

46. **Review of Work Programme and Forward Plan & Comments from the Executive**

The Committee considered a report from Democratic Services that informed the Committee of its work programme for the 2020/2021 Municipal Year and of the current Forward Plan.

The work programme, as attached at Appendix 1 to the report, should be updated at each meeting to accurately reflect the workload of the Committee.

Two of the five main roles of overview and scrutiny in local government were to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.

If the Committee had an interest in a future decision to be made by the Executive, or policy to be implemented, it was **within the Committee's remit** to feed into the process.

The Forward Plan was actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which was to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

A response from the Executive was provided to the Committee on the comments it made to the Executive at the last meeting, attached as Appendix 2 to the report. In reviewing these responses, the Committee could identify any issues for which it would like a progress report. A future report, for example, on how the decision had been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

The Chair reminded Members that the Budget report would be considered at the February meeting.

Resolved that the report be noted.

47. **Executive Agenda (Non-Confidential Items and Reports) – Thursday 10 December 2020**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on 10 December 2020.

Item 4 – General Fund Financial Update

The Finance & Audit Scrutiny Committee noted the recommendations in the report and asked the Executive to provide further detail and the financial rationale between the Climate Emergency Action Plan and the £500,000 mentioned in recommendation 2.5. More specifically, whether the £500,000 was intended to be the first increment in a longer-term reserve that would fund agreed projects in the Action Plan and also be used to leverage more money through government and other grants. In that latter context, it would be helpful to have an indication of the ambition for the scale of the **fund that might be generated to meet the Council's targets.**

The Committee noted that there were still a number of aspects which were not known at this time, such as the impact on Business Rates and New Homes Bonus arrangements, and looked forward to further detail in the Budget report, to be brought forward in February 2021.

Item 6 – Housing Revenue Account Business Plan Review 2020

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Item 5 – Formation of a Local Housing Company

The Finance & Audit Scrutiny Committee noted the report and confidential appendices. It expressed concern about the robustness of the governance arrangements for the delegation of powers for approving loans in paragraphs 2.6.1 and 2.8 of the report, while recognising the need to balance the ability to act swiftly with appropriate oversight and scrutiny. Following the meeting, in discussion between the Chair of the Committee, the Deputy Chief Executive and Monitoring Officer, and the Portfolio Holder for Housing and Property, the latter has proposed amendments to the report as set out below:

"2.6 That subject to the approval of recommendation 2.3, Executive agrees that it:

2.6.1 Delegates authority to the **Deputy Chief Executive & Monitoring Officer**, Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing and Property and Finance, **Chair of Finance & Audit Committee and the Chair of the Finance PAB**, to agree the terms and conditions of, and approve loans up to a value of £56.835m **£11.625m.**

2.8 That subject to agreeing recommendation 2.7, Executive agrees to delegate authority to the Chief Executive, Head of Finance and Deputy Chief Executive & Monitoring Officer, in consultation with the Group Leaders, noting that this includes the Chair of Finance & Audit Committee, **and the Chair of the Finance PAB**, to approve a loan request from the JV and determine the terms and conditions of the loan, having taken appropriate legal and commercial advice, and it is then recommended to Council that the capital programme is adjusted to reflect the loan to the JV funded by PWLB borrowing subject to Council approving changes to the Prudential Indicators as detailed in a further report."

70. **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.

71. **Executive Agenda (Confidential Items and Reports) – Thursday 10 December 2020**

Item 12 – Confidential Appendices C and D to Item 5 – Formation of a Local Housing Company

Comments included under Minute 47.

(The meeting ended at 7.54pm)

CHAIR

10 February 2021

Finance & Audit Scrutiny Committee
10 February 2021

Title: Annual Audit Letter 2019/20

Lead Officer: Mike Snow

Portfolio Holder: Richard Hales

Public report

Wards of the District directly affected: N/A

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: N/A

Equality Impact Assessment Undertaken: N/A

Consultation & Community Engagement: N/a

Final Decision: Yes

Accessibility checked: Yes

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	1/2/2021	Chris Elliott
Head of Service	1/2/2021	Mike Snow
CMT	1/2/2021	
Section 151 Officer	1/2/2021	Mike Snow
Monitoring Officer	1/2/2021	Andrew Jones
Finance	1/2/2021	Andrew Rollins
Portfolio Holder(s)	1/2/2021	Richard Hales

1. Summary

- 1.1. This report brings to members' attention the External Auditor's 2019/20 Annual Audit Letter.

2. Recommendation

- 2.1. It is recommended that Finance and Audit Scrutiny Committee note the conclusion of the 2018/19 Audit.

3. Reasons for the Recommendation

- 3.1 The Annual Audit Letter summarises the key findings arising from the work that the external auditors have carried out on the 2019/20 Statement of Accounts and Value For Money Conclusion.
- 3.2 The Annual Audit Letter brings together information that has previously been reported to the Committee, notably within the Audit Findings Letter in September 2020.
- 3.3 Progress on the closure of accounts and audit for 2019/20 has been subject to subject to regular reports to members over the last year.
- 3.4 The auditors still have to complete the Benefits Subsidy Audit. This is virtually complete and is scheduled to be signed off by the end of February. The Pooling of Housing Capital Receipts is also virtually complete. Details of progress on these audits will be given verbally to the meeting.

4. Policy Framework

4.1. Fit for the Future (FFF)

- 4.1.1. The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The external audit of the Council's accounts and associated work seeks to give assurance to all Council stakeholders in the proper use of the Council's resources.

4.2. Supporting Strategies

- 4.3.1. The requirement for local authorities to have an external audit is set out in local government legislation and the Accounts and Audit Regulations.

4.3. Changes to Existing Policies

No changes to existing strategies are proposed.

4.4. **Impact Assessments**

N/A

5. Budgetary Framework

The planned cost of the audit of the 2019/20 Accounts was £41,290.

5.2 The auditors are proposing an additional fee of £16,000 as detailed in their report and appendix in respect of: -

5.2.1 £7,500 in respect of issues raised as part of the 2018/19 audit: -

- Raising the bar (increased challenge and depth of work)
- PPE Valuation work of experts
- Pensions valuation of net pension liabilities under International Auditing Standard (IAS) 19
- New standards and development

5.2.2 £8,500 in respect of Covid 19.

5.3 The total proposed audit fee is £57,290, an increase of 39%. The increase in fees will need to be agreed by Public Sector Audit Appointments (PSAA).

5.4 The increased audit fee will exceed the budget allowed within the 2019/20 Accounts. Any extra will need to be charged to the 2020/21 Accounts, along with any likely increase for that year. This is likely to exceed the budget available, so requiring use of Contingency Budget if an overspend is not to be reported. Any likely increase for future years will similarly need to be included in future budgets from 2021/22.

6. Risks

The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that **the Council's finances, as reported in the Accounts, are being properly managed.**

7. Alternative Option(s) considered

7.1. None.

The Annual Audit Letter For Warwick District Council

Year ended 31 March 2020

January 2021



Contents



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

Grant Patterson

Key Audit Partner

T: 0121 232 5296

E: grant.b.patterson@uk.gt.com

Mary Wren

Manager

T: 0121 232 5254

E: mary.wren@uk.gt.com

Aaron Smallwood

Executive

T: 0121 232 5242

E: Aaron.k.smallwood@uk.gt.com

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Warwick District Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Finance and Audit Scrutiny Committee, as those charged with governance, in our Audit Findings Report on 30 September 2020 and confirmed that we had completed the outstanding work prior to issuing our opinion in our Progress Report on 9 December 2020.

Our work

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,200,000, which is 1.4% of the Council's gross operating expenditure.
Financial Statements opinion	<p>We gave an unqualified opinion on the Council's financial statements on 21 November 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and investment properties and the Council's share of the pooled property assets of Warwickshire Pension Fund given the Coronavirus pandemic.</p> <p>This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 21 November 2020.
Certification of Grants	We carry out work to certify the Council's 2019-20 Housing Benefit subsidy claim on behalf of the Department for Work and Pensions and Pooled Capital Receipts Return on behalf of the Ministry of Housing, Communities & Local Government (MHCLG). Our work on the claim and return is not yet complete and will be finalised by 31 January 2021. We will report the results of this work to the Finance and Audit Scrutiny Committee.
Certificate	We certified that we have completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Code of Audit Practice on 21 November 2020.

Executive Summary (continued)

Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. As a key body in the frontline response to the pandemic, the Council has worked closely with key partners to provide support to businesses, support to individuals, establish shielding hubs and reassign staff to areas of need.

Authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

Due to remote working and methods of reviewing source reports (for example screensharing) certain audit procedures have taken longer than prior years. We would like to extend our thanks to the Finance team for their continued support during a time where they are facing additional pressures to support the local community the council serves, for example the payment of business rate grants. We continue to work closely with your finance team consider how we can all take the positive experiences from this period of remote working and integrate into our working arrangements going forward.

Grant Thornton UK LLP
January 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1,200,000, which is 1.4% of the Council's gross operating expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.

We also set a lower level of specific materiality of £25,000 for senior officer remuneration disclosures. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to a reader of the accounts.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report, annual governance statement and published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid – 19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. This includes We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk.</p>	<p>We worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations.</p> <p>We liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.</p> <p>We have evaluated:</p> <ul style="list-style-type: none"> • the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic. • whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology • whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances, and • management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. 	<p>Our audit work has not identified any specific issues in respect of Covid-19. However,</p> <ul style="list-style-type: none"> • In their report, the Council's external valuer confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. • Similarly, two of the Warwickshire Pension Fund's investment managers, Threadneedle and Schroders, have highlighted valuation material uncertainty disclosures associated with pooled property funds as a result of Covid-19. <p>As a result we have included Emphasis of Matters paragraphs highlighting these matters within our auditor's report. These do not affect our opinion that the statements give a true and fair view of the Council's financial position and the income and expenditure for the year but are added to indicate a matter which is disclosed appropriately but which we consider is fundamental to a readers' understanding of the financial statements.</p> <p>The Council has also updated its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events.</p>

Audit of the Financial Statements

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The Valuation of Property, Plant and Equipment (PP&E)</p> <p>Council Housing - £402.119m HRA Land and Buildings – £8.016m Land and Buildings – Other - £73.262m Investment property - £10.234m Surplus Assets - £0.275m</p> <p>The Council revalues its council dwellings and operational land and buildings on a rolling five-yearly basis and investment property annually. These valuations represent a significant estimate by management in the financial statements due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of management's experts (valuers) who carried out your PP&E valuations; communicated with the valuer about the basis on which the valuation is carried out and where necessary challenged the key assumptions reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value 	<p>Last year we reported that the Council had improved its arrangements for instructing the valuer and we have identified no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. We did identify some further improvement areas and acknowledge that the Council has continued to make progress this year in relation to its overall PP&E revaluation process and improved quality control procedures to ensure valuations have been carried out as per instructions to the valuer. Overall, we are satisfied that there are no indication of material misstatements however it is possible to improve the process further and, in particular, eliminate duplication of effort in the valuation process.</p> <p>As noted on page 6, the Council's external valuer confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. We have therefore included an Emphasis of Matter paragraph in respect of the valuation of land and buildings and investment properties within our Independent auditor's report. This highlights the Council's disclosures to users of the financial statements. Our opinion is not modified in respect of this matter.</p>

Audit of the Financial Statements

Significant Audit Risks- continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>Net pension liability – £40.891m</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40.891 million in the Authority's balance sheet as at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; obtained assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>Our audit work has not identified any issues in respect of valuation of the pension fund net liability.</p> <p>The Authority's net pension liability at 31 March 2020 is £40.891m (PY £48.466m). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable. There has been a £7.575m net actuarial gain during 2019/20.</p> <p>The pension fund auditor has included an emphasis of matter in their audit report on the accounts of Warwickshire Pension Fund (WPF) to reflect a material valuation uncertainty given by the valuers on the Pooled Property Fund (as a result of the impact of Covid-19). At £217m in total, these investments accounts for approximately 10.67% of the total WPF assets. The Council has estimated the proportion of Property Fund Investments attributable to the Council is £11.645m. Therefore the Council have made appropriate disclosures explaining this uncertainty, which we have drawn to a reader's attention in our auditor's report by way of an Emphasis of Matter paragraph. Our opinion is not modified in respect of this matter.</p>

Audit of the Financial Statements

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted as we have concluded that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable 	<p>As noted, we did not consider this to be a significant risk for Warwick District Council.</p> <p>Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work at the Council has not identified any issues in respect of management override of controls.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 21 November 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline and pandemic lockdown restrictions that existed at the time, and provided a good set of working papers to support them.

The finance team responded promptly and efficiently to our queries remotely during the course of the audit. Due to remote working and methods of reviewing source reports (for example screensharing) certain audit procedures have taken longer than prior years.

We would like to extend our thanks to the Finance team for their continued support during a time where they are facing additional pressures to support the local community the council serves, for example the payment of business rate grants. We continue to work closely with your finance team consider how we can all take the positive experiences from this period of remote working and integrate into our working arrangements going forward.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Finance and Audit Scrutiny Committee on 30 September 2020 and confirmed that we had completed the outstanding work prior to issuing our opinion in our Progress Report on 9 December 2020.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. The Council published them on its website within the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold for undertaking detailed testing.

Certificate of closure of the audit

We certified that we had completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Code of Audit Practice on 21 November 2020

Certification of Grants

We have started our work to certify the Council's:

- 2019-20 Housing Benefit Subsidy claim on behalf of the Department for Work and pensions (DWP), and
- 2019-20 CFB06 return (Certification of Pooled Housing Capital Receipts Return) on behalf of the Ministry of Housing, Communities & Local Government (MHCLG).

Our work on the claim and return is not yet complete and will be finalised by 31 January 2021. We will report the results of this work to the Council's Finance and Audit Scrutiny Committee.

Value for Money

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

- *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out below and overleaf. As part of our Audit Findings report agreed with the Council in November 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Significant Risk - what we said in our Audit Plan

Financial sustainability

When Members approved the 2019/20 Budget in February 2019, the Medium term Financial Strategy showed that that the Council would be in deficit by £574,000 by 2023/24.

A number of changes have been made to the MTFS, largely resulting from re-profiling of savings. The Council's MTFS as reported to members in February 2020 is now showing a projected increase in the recurring deficit of £1.868m by 2023/24. In the short term it is proposed to use the Business Rate Retention Volatility Reserve (BRRVR) to help smooth the savings needed to be secured.

This will eliminate the projected deficits in 2020/21 and 2021/22 and has enabled the Council to agree a balanced Budget for 2020/21. However, recurrent savings of £522k will be required in 2022/23 and additional recurrent savings of £1,346k in 2023/24.

The Council acknowledged that by using the BRRVR it has effectively bought itself some time to get new initiatives in place but that it now needs to develop strategies for balancing its budget over the medium to long term to create a sustainable platform to deliver services.

Given the in-year challenges and those anticipated looking forward we have identified a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Value for Money (continued)

How we responded to the risk

In light of Covid-19 we have carried out a review of the updated financial information being produced by the council. Covid-19 has had a significant impact on all sectors. In particular Council's have faced challenges in relation to lost income, examples include parking and leisure income.

The Council's Medium term Financial Strategy (MTFS) was reported to members in February 2020 as part of the 2020/21 Budget setting process. At that stage the profile of savings to be found was as follows:-

2020/21 – £0

2021/22 – £0

2022/23 - £522k

2023/24 - £1,868k

2024/25 - £1,762k

This profile of savings from 2020/21 to 2024/25 includes a net contribution of £6,245m from the Business Rates Volatility reserve to support the General Fund.. Due to the Covid19 pandemic the MTFS presented to members in February 2020 was outdated before the financial year had begun. As such, updates of the MTFS have been reported to Cabinet in June and August 2020 in order to forecast the impact of lost income, additional cost pressures but also government funding received in relation to the pandemic. A summary of the savings required at each update compared to the February 2020 MTFS is summarised below:

Financial year	Savigs required per February 2020 MTFP	Savings required - Updated June 2020	Savings required- Updated August 2020
	000's	000's	000's
2020/2021	0	3,503	0
2021/2022	0	3,515	3,190
2022/2023	522	2,581	6,139
2023/2024	1,868	4,044	5,701
2024/2025	1,762	3,943	5,335
TOTAL	4,152	17,586	20,365

The MTFS update in August 2020 presents a balanced position for 2020/21. This accounts for known budget pressures such as the waste management contract (see below) and Covid 19 funding from the Government. The use of the Business Rate Retention Volatility Reserve (BRRVR) has been brought forward to 2020/21 in order to offset the budget pressures and show a balanced position for 2020/21.

£3.2m of savings need to be secured to enable the Council to be able to set a balanced budget for 2021/22 and not draw further than planned upon reserves. As part of the August 2020 update a schedule of proposed projects and savings has been developed which should assist the Council to reduce, although not eradicate, the budget deficit. This totals £4.115m per annum, £1m of which relates to the introduction of an annual fee to collect green bin waste. The savings plans identified will need to be progressed as a matter of urgency, along with the agreement of further projects and initiatives, to close the budget gap.

The identification and monitoring of savings plans is an integral part of the Council's financial management processes. As such, in December 2020 an updated savings plan was presented to the Executive which is being incorporated into the February 2021 budget..

Usable reserves

Each year the Council reviews the level of reserves and balances it holds as part of setting the budget, as in previous years the s151 officer concluded that there were sufficient levels of reserves. A review of balances as at the end of the period confirms that the Council's total usable reserves have decreased by £5m from £71m to £66m. Of these reserves, £22.774m relates to the General Fund Revenue balance. This would be sufficient to cover the budget shortfalls to 2024/2025 however it should be noted that reserves can only be used once and the development of recurrent savings plans should be a priority for the Council.

Value for Money (continued)

How we responded to the risk (continued)

Outturn position 2019/20

Historically, the Council has a strong track record of delivering against its financial objectives, and this continues to be the case for 2019/20 with a favourable variance of £782k on the General Fund (GF) budget and £48k on the Housing Revenue Account (HRA) being reported to the Executive on 13 July 2020. The main variances were summarised in the 13 July 2020 report to the Executive. Overall, the main variances are £1.497m of favourable variances and £715k adverse.

For 2019/20 the Council has seen slippage in its capital programme of £25.941m on a budgeted programme of £54.322m. This is largely due to delays in delivering agreed programmed works and projects commencing late. The budget to be carried forward to 2020/21 for these specific planned works total £24.716m on the Housing Investment Programme.

Waste management contract

As part of our review of the Council's MTFS we have considered the Council's decision to extend its existing waste management contract. This extension is for an 18 months (with the option to extend for a further year). We did not identify this as a significant risk however it does represent a significant recurrent cost increase above that forecast in the Council's MTFS.

The Council's waste contract with Suez expires on 1 April 2021. The current annual cost of the waste contract is £2.4m. It was budgeted that this cost would increase to £3.6m from 2021 however the retendering exercise identified that this budgeted cost had been underestimated and the annual cost would be in the region of £5.6m, £2m (per annum) over the budgeted amount included in the February 2020 MTFS.

Officers have worked closely with a Leader established Councillor Working Party to determine the next steps following the early results of the tender process. Prior to Councillors making any decision, a contract extension quote from Suez was requested as a contingency should the procurement process be hampered by the pandemic. Suez had provided a quote of £5.5 which was £1.8m greater than in the Council's indicative budget for 2021/22. It was concluded not to continue with the current procurement process and officers were asked to request a contract extension of 18 months (with the option of a further year) from the current service provider Suez.

As part the audit we discussed the contract extension with relevant officers of the Council and reviewed reports to support the decision. We also sought assurance that appropriate legal advice was taken by the council throughout the contract negotiation period and prior to offering the 18 month extension. We are satisfied the Council has taken appropriate legal advice from Warwickshire County Council Legal Services department. We are also satisfied this contract extension will give the council the opportunity to review the previous tender exercise and where necessary make amendments to arrangements to take into account the current circumstances combined with the Council's strategic direction in relation to Climate Change and Partnership working.

Subsequent to the completion of our audit we are aware that the Waste Management contract was discussed in detail at the November 2020 cabinet meeting. A number of decisions surrounding the waste management contract were made including, a change in the method of collection, to join the Materials Recycling Facility project with other local authorities and to enter into a joint contract and procurement exercise with Stratford District Council to commence August 2022.

Findings and conclusions

It is clear that the Council has responded positively to the challenge presented by Covid-19 and are adequately monitoring and assessing the current and future impacts on the Council's finances. The financial year 2022/2023 will see perhaps the peak of the challenge. The Council's August 2020 update of the MTFP shows a budget gap of £6.139m in setting a balanced budget for 2022/23. The Council is also likely to see further impact of the pandemic. It is therefore business critical that officers and members take immediate action to reduce this gap. The identification and monitoring of savings plans is an integral part of the Council's financial management processes. As such, in December 2020 an updated savings plan was presented to the Executive which is being incorporated into the February 2021 budget.

We are satisfied that the Council has sought appropriate legal advice regarding the waste management contract extension. The Council should use the agreed waste management contract extension period to revisit the original tender exercise and update where necessary. It will also give the Council the opportunity to reflect on the exercise and align with the Council's strategic direction in relation to Climate Change and Partnership working.

Based on the work completed we have concluded that the Council has adequate arrangements in place to deliver financial sustainability.

A. Reports issued and fees

We confirm below our fees charged and proposed for the audit and provision of non-audit services and final reports issued.

Fees

	2019/20 Planned £	2019/20 Actual Fees (Proposed) £	2018/19 Actual Fees £
Statutory audit scale fee	41,290	41,290	41,290
Additional proposed audit fees at planning stage	7,500	7,500	-
Total proposed audit fee at planning (excluding VAT)	48,790	48,790	41,290
Further additional fees proposed at completion		8,500	4,500
Total fees (excluding VAT)	48,790	57,290	45,790

Audit fee variation

The Audit Plan dated March 2020 included £7,500 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above of £48,790.

We issued an Audit Plan addendum in April 2020 to take into account the additional audit risks posed by Covid-19. Since the presentation of both papers we have now reflected on the additional time taken to discharge our responsibilities as a result of Covid-19. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted including an additional significant risk being added to our Audit Plan and the move to remote working impacting upon delivery. To date, we estimate that the issues highlighted are increasing the time taken on audits by an average of 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. We have looked to mitigate this as far as possible through reduced travel time and travel costs and will absorb some of the remaining overrun ourselves. However, it is unlikely that this will be sufficient to cover the full additional cost. As a result of this extra work we are proposing a further increase in fees of £8,500 (17.5%) in addition to those proposed at the planning stage of the audit. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities. This brings the total proposed audit fee up to £57,290.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with local government and commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Housing benefit (Subsidy) Assurance Process	14,250
- Certification of pooled Housing capital receipts return	2,300
- Additional HBAP 2017/18 module x (billed in 2019/20)	2,850
Total for audit related services (excluding VAT)	19,400
Non-Audit related services	0

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Reports issued

Report	Date issued	Date presented to Audit & Finance Scrutiny Committee
Audit Plan and Audit Plan Addendum	17 March 2020 and 28 April 2020	27 May 2020
Audit Findings Report	22 September 2020	30 September 2020
Annual Audit Letter	January 2021	10 February 2021



Appendix A – Warwick District Council Proposed Fees

We confirm below our proposed final fees for the audit

Audit fees	Proposed fee
Council scale fee	41,290
Additional proposed audit fee at planning stage	7,500
Total proposed audit fees (excluding VAT) at planning	£48,790
Further additional fees proposed at completion	8,500
Total proposed audit fees (excluding VAT) on completion	£57,290

The Warwick District Council Audit Plan presented in March included £7,500 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £8,500 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £57,290. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A – Warwick District Council Audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

Audit area	£	Rationale for fee variation
2019/20 Scale fee	41,290	
Raising the bar (increased challenge and depth of work)	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
PPE Valuation – work of experts	1,750	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
New standards and developments	1,500	PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in.
Revised planning fee	48,790	
Covid-19	8,500	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: <ul style="list-style-type: none"> • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. • Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming. • Remote working has also highlighted the complexity of the Council's underlying financial systems. Certain reports have taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports.
Total proposed audit fees on completion	57,290	

Finance and Audit Scrutiny Committee 10 February 2021

Title: Review of Work Programme and Forward Plan & Comments from the Executive

Lead Officer: Graham Leach

(T. 01926 456114 or E. committee@warwickdc.gov.uk)

Portfolio Holder: Not Applicable

Public report

Wards of the District directly affected: N/A

Accessibility checked: yes

1. Summary

- 1.1. This report informs the Committee of its work programme for 2020/2021 Municipal Year (Appendix 1) and of the current [Forward Plan](#).

2. Recommendation

- 2.1. The Committee to consider the work programme attached as Appendix 1 to the report and make any changes as required.
- 2.2. The Committee to identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision;
- 2.3. The Committee to consider its workload for the coming months, specifically how it can accommodate the work within their scheduled meetings; and
- 2.4. The Committee to note the progress on the Audit Plan as set out at Appendix 3.

3. Reasons for the Recommendation

- 3.1. The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2. Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.
- 3.3. If the Committee has an interest in a future decision to be made by the **Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.**
- 3.4. The Forward Plan is actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which is to be taken by the Executive which they would like to be involved in, that Member(s) could

then provide useful background to the Committee when the report is submitted to the Executive and they are passing comment on it.

- 3.5. At its meeting in September, the Committee asked for an update at each meeting on the revised Audit Plan so they are aware of progress. This has been appended to this report for information.

4. Background

- 4.1. The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2. The pre-decision scrutiny of Executive decisions falls within the role of **'holding to account'**. **To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.**
- 4.3. **The Council's** Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions. A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.4. The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions. There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.5. The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.6. At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.
- 4.7. The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.
- 4.8. As part of the scrutiny process, the Committee is not considering the whole of the Executive agenda. On the day of publication of the Executive agenda, all Councillors are sent an e-mail asking them to contact Committee Services, by 9.00am on the day of the Committee meeting to advise which Executive items they would like the Committee to consider.

- 4.9. If the Committee made a comment on an Executive report, a response will be provided to the Committee at its next meeting (Appendix 2). In reviewing these responses, the Committee can identify any issues for which it would like a progress report. A future report, for example, on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

Finance and Audit Scrutiny Committee WORK PROGRAMME

17 March 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day
IA Strategic Plan (2021/22 to 2023/24 plan)	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
External Review of Internal Audit	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales

21 April 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Update on Health & Community Protection and Finance Systems Replacements	Scrutiny	Written report followed by Q&A This procurement and project management assurance	Keith Eales Councillors Hales and Falp

**Response from the meeting of the Executive on the
F&A Committee's Comments – 10 December 2020**

Item Number: 4 - General Fund Financial Update

Requested by: Councillor Nicholls and the Liberal Democrat Group

Reason Considered:

Councillor Nicholls: To look at short-term and medium-term financial implications and risks for the Council and to understand the reasons for the late release of the report and the consequences for the due diligence of it by all Councillors and groups.

Liberal Democrat Group: to better understand a) the achievability of the proposed savings, cuts and timing changes and b) the potential impact of the proposed changes on WDC services provided to local residents.

Scrutiny Comment:

The Finance & Audit Scrutiny Committee noted the recommendations in the report and asked the Executive to provide further detail and the financial rationale between the Climate Emergency Action Plan and the £500,000 mentioned in recommendation 2.5. More specifically, whether the £500,000 is intended to be the first increment in a longer-term reserve that will fund agreed projects in the Action Plan and also be used to leverage more money through government and other grants. In that latter context, it would be helpful to have an indication of the ambition for the scale of the fund that **might be generated to meet the Council's targets.**

The Committee noted that there were still a number of aspects which were not known at this time, such as the impact on Business Rates and New Homes Bonus arrangements, and looked forward to further detail in the Budget report, to be brought forward in February 2021.

Executive Response:

Councillor Rhead, the Portfolio Holder for Environment, thanked the Finance and Audit Scrutiny Committee for its comments, and stated that there had been discussions at the Climate Emergency PAB pre-meeting on this matter. He explained that there was a pathway to underscore what was being set out for the proposed budgets. It was important to realise that this was a new path other than the referendum that was proposed in 2020, but the details against that referendum still stood in good stead because the Climate Emergency Action Plan would still be implemented, and he hoped and trusted that the amount raised would induce other payments from other areas and grants.

Councillor Hales, the Portfolio Holder for Finance and Business, explained that the intention was that the £500,000 that was put aside would continue to be set out in the budget for the remainder of this Council, and fundamentally, all Councillors had signed up to the Climate Emergency.

The Leader thanked Councillor Nichols, and he explained that the genus of this fund was a financial engine to drive the Climate Emergency Action Plan, and accepted this needed to be shaped further and work would take place to provide more detail for the February 2021 Executive meeting.

Item Number: 6 - Housing Revenue Account Business Plan Review 2020

Requested by: Councillor Nicholls and the Liberal Democrat Group

Reason Considered:

Councillor Nicholls: to perform due diligence given the long-term financial implications
Liberal Democrat Group: to better understand the consequences for the long-term finances of WDC

Scrutiny Comment:

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Executive Response:

The recommendations in the report were approved.

Item Number: 5&12 - Formation of a Local Housing Company

Requested by: Councillor Nicholls, the Green Group and the Liberal Democrat Group

Reason Considered:

Councillor Nicholls: the financial, business, and legal risks for the Council.

Green Group: We are calling the LHC report into F+A because it meets all 3 of the criteria for both financial and other reasons:

- a) The number residents impacted and the significance of that impact
- b) The amount of spend involved
- c) It concerns a strategic priority of the Council or key project

The Council aspires to be a leader in driving actions that take local communities to net zero carbon. We therefore welcome the establishment of a LHC that can help deliver local sustainable housing, promote behavioural change, and lead development of a local green economy with new skilled jobs.

However, over 80% of new homes are currently being built to EPC B or higher*.

Therefore, to align with the Council's climate declaration, meeting EPC standards does not seem sufficiently ambitious.

Additionally, unless dwellings are constructed to zero carbon standards throughout the 50-year timescale (which exceeds the national deadline for zero carbon) there are significant financial liabilities in terms of mandatory retrofitting of owned and rented properties.

Would specifying that all homes built by the LHC must be certified zero carbon in-use help achieve the council's climate emergency goals in terms of a) emissions from these homes, b) demonstrating possibilities to other builders, c) gaining residents' support for the Climate Action Plan, and d) minimizing the Council's financial liabilities?

*See NB1 - Number of New Dwelling Energy Performance Certificates lodged on the Register in England & Wales by Energy Efficiency Rating – for 2020

at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates#epcs-for-all-new-domestic-properties-including-new-build-dwellings-conversions-and-change-of-use>

Liberal Democrat Group: to better understand the consequences for the long-term finances of WDC and also the associated risks

Scrutiny Comment:

The Finance & Audit Scrutiny Committee noted the report and confidential appendices. It expressed concern about the robustness of the governance arrangements for the delegation of powers for approving loans in paragraphs 2.6.1 and 2.8 of the report, while recognising the need to balance the ability to act swiftly with appropriate oversight and scrutiny. Following the meeting, in discussion between the Chair of the Committee, the Deputy Chief Executive and Monitoring Officer, and the Portfolio Holder for Housing and Property, the latter has proposed amendments to the report as set out below:

"2.6 That subject to the approval of recommendation 2.3, Executive agrees that it:
2.6.1 Delegates authority to the **Deputy Chief Executive & Monitoring Officer**, Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing and Property and Finance, **Chair of Finance & Audit Committee and the Chair of the Finance PAB**, to agree the terms and conditions of, and approve loans up to a value of £56.835m **£11.625m**.

2.8 That subject to agreeing recommendation 2.7, Executive agrees to delegate authority to the Chief Executive, Head of Finance and Deputy Chief Executive & Monitoring Officer, in consultation with the Group Leaders, noting that this includes the Chair of Finance & Audit Committee, **and the Chair of the Finance PAB**, to approve a loan request from the JV and determine the terms and conditions of the loan, having taken appropriate legal and commercial advice, and it is then recommended to Council that the capital programme is adjusted to reflect the loan to the JV funded by PWLB borrowing subject to Council approving changes to the **Prudential Indicators as detailed in a further report.**"

Executive Response:

Councillor Matecki thanked officers for their hard work in getting the report done so quickly, and expressed his pride at the work the Housing team had undertaken. He then proposed the report as laid out in the addendum, subject to the amended recommendations proposed by the Finance and Audit Scrutiny Committee.

To: Finance and Audit Scrutiny Committee – 10 Feb 2021

From: Audit and Risk Manager

Subject: Interim Internal Audit Progress Report

Introduction

At the Finance and Audit Committee meeting of 30 September, Members, concerned for the impact of the Coronavirus Pandemic on Internal Audit's ability to complete the Audit Plan, asked for interim updates on progress.

It was agreed that these updates would mirror an oral presentation in terms of style, format and content.

Latest Update

The team has continued to make good progress on assignments.

Recently, it has become more difficult to make progress on some audit assignments. It is believed that in some cases this may be due to fatigue and/or reduced time availability from additional work caused by the pandemic.

This will not prevent such audits from being completed but will certainly prolong them.

We are working with management to try to address this issue.

The usual detailed quarterly report on progress will be next provided to the Committee on 17 March.

Richard Barr
Audit and Risk Manager
January 2021.