

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 10 February 2021 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, Illingworth, Luckhurst, Syson, Tracey and Wright.

Also present: Councillors Hales (Portfolio Holder for Business & Finance) and Rhead (Portfolio Holder for Environment & Neighbourhood).

72. **Apologies and Substitutes**

- (a) there were no apologies for absence; and
- (b) there were no substitutions.

73. **Declarations of Interest**

There were no declarations of interest made.

74. **Minutes**

The minutes of the meeting held on 9 December 2020 were taken as read and signed by the Chair as a correct record.

75. **Annual Audit Letter 2019/20**

The Committee considered a report from Finance which brought to Members' attention the External Auditor's 2019/20 Annual Audit Letter.

The Annual Audit Letter summarised the key findings arising from the work that the external auditors had carried out on the 2019/20 Statement of Accounts and Value For Money Conclusion.

The Annual Audit Letter brought together information that had previously been reported to the Committee, notably within the Audit Findings Letter in September 2020.

Progress on the closure of accounts and audit for 2019/20 had been subject to regular reports to Members over the last year.

The auditors still had to complete the Benefits Subsidy Audit. This was almost complete and was scheduled to be signed off by the end of February. The Pooling of Housing Capital Receipts was also virtually complete.

The planned cost of the audit of the 2019/20 Accounts was £41,290. The auditors were proposing an additional fee of £16,000 as detailed in their report and appendix:

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; and
- New standards and development.

2. £8,500 in respect of Covid 19.

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

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

Members were advised of a correction to recommendation 2.1 in the report, asking them to “note the conclusion of the ~~2018/2019~~ **2019/2020** Audit”.

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

- the audit of the Pooling of Housing Capital Receipts had now been completed; and
- the Benefits Subsidy Audit had been extended to the end of the month.

In answer to questions from Members, Mr Patterson advised that:

- when the original contracts were let, a rating of 2b was deemed as an acceptable quality mark. The FRC had now upped that, where all audit needed to aspire to reach a 2a in audit quality. This required additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience information provided; and
- PSAA had to consult on contract fees. The timeline for this was not known at this point, but a consultation was expected to happen.

The Head of Finance informed Members that he had received the letter from PSAA with regards to the consultation, informing of a fee increase of £3,000 for the 2021/22 audit. In terms of the response to the consultation, this could be a Council response and the Head of Finance would further discuss the Council’s response with the Chair of the Finance & Audit Scrutiny Committee.

Resolved that the report be noted.

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

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on 11 February 2021.

Item 8 - Treasury Management Strategy 2021/22

The Finance & Audit Scrutiny Committee noted the report and welcomed the approach of PAB picking up the initial work in this area in respect of the potential Environmental, Social and Governance investment and joint working with Stratford District Council.

(This item was also on the Committee's agenda because scrutinising it formed part of the Committee's remit.)

Item 6 - General Fund Budget and Council Tax 2021/22

The Finance & Audit Scrutiny Committee supported the report and took the opportunity to thank all officers for their work in bringing forward the budget for the Council in these challenging times.

(This item was also on the Committee's agenda because scrutinising it formed part of the Committee's remit.)

Item 11 – Warwick District Leisure Development Programme – Kenilworth Facilities

The Finance & Audit Scrutiny Committee supported recommendations as amended.

They also welcomed:

- (1) the assurance from the Portfolio Holder in respect of potential delays within Development Services in determining the planning applications for these sites within the 13 weeks due to a backlog in that service area; and
- (2) the understanding that the project would be treated as two separate sites and projects throughout this project to enable them to be more agile in delivery.

77. **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 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.

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

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.

Resolved that

- (1) the report be noted; and
- (2) the work coming forward on the potential merger of Warwick and Stratford-on-Avon District Councils be monitored, Members are seeking specific guidance from the Executive when key decisions are to be made, so that these can be planned for, potentially with Joint meetings with the Overview & Scrutiny Committee, and even work with scrutiny partners at Stratford District Council. Members note that this may necessitate additional, specific scrutiny meetings.

(The meeting ended at 7.20pm)

CHAIR

17 March 2021