

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