

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Tuesday 27 May 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

Present: Councillors: Bartlett, J Dearing, R Dickson, Grey, Illingworth, Luckhurst, Nicholls, Syson, Tracey and Wright.

Also present: Councillor Hales (Portfolio Holder for Business & Finance).

1. **Apologies and Substitutes**

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

2. **Appointment of Chair**

It was proposed by Councillor Syson, seconded by Councillor Bartlett and

Resolved that Councillor Nicholls be appointed as Chair for the 2020/21 Municipal Year.

3. **Declarations of Interest**

There were no declarations of interest.

4. **Minutes**

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

(Councillor Wright abstained from voting on this item.)

5. **Internal Audit Quarter 3 2018/19 Progress Report**

The Committee received a report from Finance that detailed progress in achieving the Internal Audit Plan 2019/20, summarised the audit work completed in the third quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

Finance and Audit Scrutiny Committee was the audit committee for the Council. Guidance on the role and responsibilities of audit committees was available from a number of sources. Guidance which related to audit committees' relationship with internal audit and in particular the type and content of reports they should have received from internal audit was summarised in Appendix 1 to the report.

To help fulfil these responsibilities audit committees should have reviewed summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.

At the start of financial year, the Committee approved the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2019/20 was set out as Appendix 2 to the report.

Management was responsible for the system of internal control and should have set in place policies and procedures to help ensure that the system was functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls

Each audit report provided an overall opinion on the level of assurance provided by the controls within the area audited. The three assurance bands were substantial, moderate or limited.

These definitions had been developed following extensive investigation of other organisations' practices (including commercial operations)

Twelve audits were completed in the third quarter of 2019/20. Copies of all the reports issued during the quarter were available for viewing as part the online agenda for the meeting.

The action plans accompanying all Internal Audit reports issued in the quarter were set out as Appendix 3 to the report. These detailed the recommendations arising from the audits together with the management responses, including target implementation dates

Responses had been received from managers to all recommendations contained in audit reports issued during the quarter in question.

Four audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the 'Cloud Applications', 'Information System Policies', Health and Safety Compliance of Council Buildings' and 'Catering Concessions'.

The state of implementation of low and medium risk recommendations made in the fourth quarter of 2018/19 and high risk recommendations made in the second quarter of 2019/20 was set out in Appendix 5 to the report.

The presentation of the report to the Committee had been delayed due to the cancellation of the March meeting of the Committee and subsequent meetings due to the restrictions on public gatherings in place as a result of the Coronavirus pandemic. The report was presented at the earliest opportunity to the Committee once formal meetings were meeting remotely following the introduction of revised regulations for Committee meetings by the Government.

Questions on this item had been submitted ahead of the meeting and responses to these published as an addendum to the agenda.

In response to further questions at the meeting the Internal Audit & Risk Manager explained that Sundry debtors would include service charges not paid for by tenants and would investigate when the invoices for these would be issued.

Resolved that

- (1) the report, including its appendices 1 to 5, be noted; and
- (2) Mr I Wilson, who had retired at the end of March, be thanked for his work with the Council for over 30 years.

6. Internal Audit Quarter 4 2019/20 Progress Report

The Committee received a report from Finance that detailed progress in achieving the Internal Audit Plan 2019/20, summarised the audit work completed in the third quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

Sixteen assignments were completed in the fourth quarter of 2019/20. One of these was a consultancy review of CCTV at the request of the Deputy Chief Executive (AJ) and the Head of Health & Community Protection. This replaced the planned audit of Crime and Disorder which, because of previous high levels of assurance, was felt could safely be deferred to the next financial year. Copies of all the audit reports issued during the quarter were available for viewing on the online agenda for the meeting. As a consultancy report, the report on CCTV was not listed.

Despite a challenging working situation caused by the onset of the Coronavirus pandemic, the Audit Plan had been completed for the year (with the consultancy review of CCTV replacing the original planned audit of Crime and Disorder). It was the case that the scope in respect of the Housing Stock Asset Management review was curtailed due to staff unavailability. The areas not covered had been noted and would be covered at the next available opportunity.

Two of the audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the 'Events Management' and 'Local Elections' assignments. Both were awarded a moderate level of assurance. A follow-up review of Local Elections was undertaken at the start of 2020/21 to review progress made since the 2019/20 audit and, because the weaknesses had been addressed, this had been given a substantial level of assurance.

The action plans accompanying all Internal Audit reports issued in the quarter were set out at Appendix 3 to the report. These detailed the recommendations arising from the audits together with the management responses, including target implementation dates.

Responses had been received from managers to all recommendations contained in audit reports issued during the quarter in question.

Questions on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

In response to further questions at the meeting the Internal Audit & Risk Manager explained that:

- there would need to be review of the audit plan including a review of the associated risks with the plan, and this would be reported to a meeting of the Committee in the near future;
- the team were undertaking some audits but focus had moved to grants payments and validating them; and
- he would raise the risk environment with SMT overall for them to consider.

Resolved that the report, including its appendices 1 to 4, be noted

7. **Internal Audit Annual report**

The Committee considered a report from Finance that presented a summary of the internal work undertaken during 2019/20 and provided a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The report formed part of the evidence for the Annual Governance Statement of the Council for 2019/20.

The Public Sector Internal Audit Standards required that "The 'chief audit executive' must deliver an annual internal audit opinion and report that could be used by the organisation to inform its governance statement.

Questions on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

Resolved that the Annual Report of Internal Audit for the year ended 31 March 2020 be noted.

8. **Annual Governance Statement 2019/20**

The Committee considered a report from Finance that set out the Council's Annual Governance Statement for 2019/20 describing the governance arrangements that were in place during the financial year.

The Statement would be signed by the Chief Executive and the Leader of the Council and would accompany the Council's Statement of Accounts after their approval.

Regulation 6 of the Accounts and Audit (England) Regulations 2015 required that "A relevant authority must, each financial year [...] prepare (and approve) an annual governance statement".

Questions on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

In response to a question from the Committee the Audit & Risk Manager explained that the statement covered the time period up to the date that it was formally approved. In addition, any actions within the plan would be reported to the Committee for them to Monitor.

The Committee urged officers to ensure that they recorded lessons learned through the Coronavirus response.

Resolved that the Annual Governance Statement for 2019/20 for Warwick District Council as set out at Appendix A to the report, be approved.

9. **Internal Audit Strategic Plan 2020/21 – 2022/23 and internal Audit Charter 2020**

The Committee considered a report from Finance that presented the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019 for consideration and approval.

The Internal Audit Strategic Plan was an important element in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties.

The compilation of the Internal Audit Charter was a requirement of the Public Sector Internal Audit Standards.

The presentation of the report to the Committee had been delayed due to the cancellation of the March meeting of the Committee and subsequent meetings due to the restrictions on public gatherings in place as a result of the Coronavirus pandemic. The report was presented at the earliest opportunity to the Committee once formal meetings were meeting remotely following the introduction of revised regulations for Committee meetings by the Government.

Questions on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

The Audit & Risk Manager explained that one of the changes would need to be made would be in recognition in respect of the majority of officers were now working from home.

Resolved that the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019, be approved.

10. **2019/20 Audit of Accounts**

The Committee received a report that set out the Audit Plan for 2019/20 from the External Auditors, Grant Thornton, for members' consideration. This was supported by the "Informing the Risk Assessment" document.

Grant Thornton had commenced work on the audit and progress on the audit work to date, was included in the report.

Auditors had submitted the External Audit Plan for 2019/20 as set out at Appendix A to the report. The Committee were asked to agree the Plan and may have wished to seek assurance from officers and auditors that all had done to ensure the statutory requirement was met.

The "Informing the Risk Assessment", Appendix B to the report, had been produced by the external auditors, bringing together details of responses from officers. The document was to assist in the communication between members and the external auditors. Members needed to consider and agree

the document and make any observations to the auditors. Officers responses to the document had been included.

The auditors had been on site for one visit to commence work on the audit. The intention was to undertake as much work as possible ahead of closedown and the compilation of the Statement of Accounts, so as to reduce their audit time in June/July.

The documents and supporting information requested by the auditors was supplied to the auditors during their interim visit. A few further requests had subsequently been raised, the majority of which had been responded to.

For the 2018/19 Audit, active use was made of Inflo. This was an on-line portal to securely share documents between the relative teams. Inflo worked well for 2018/19, with all parties keen to continue with this for 2019/20.

All external audit firms had stressed in recent months how tight their resources were for the audit to be completed by 31 July 2020. For 2018/19, a significant number of audits (none carried out by Grant Paterson) were not completed by the required date. If the 2019/20 audit was to be completed by the end of July, it was imperative that their requests for information were responded to promptly by Council officers. This would impact on the Accountants and officers from other Services.

In view of the pressure upon auditors, Public Sector Audit Appointments (PSAA) had recently emailed all S151 officers setting out the pressure external auditors were under and how this could have impacted upon future fees. PSAA had commissioned a review on the Future Procurement and Market Supply Options Review for external audit. The document considered the sustainability of audit supply alongside improvements in audit quality and the associated fee implications. The research concluded that 'almost all of the approved firms had reservations about remaining in the market'. These issues were considered further within the presentation prepared by Grant Thornton.

The presentation of the report to the Committee had been delayed due to the cancellation of the March meeting of the Committee and subsequent meetings due to the restrictions on public gatherings in place as a result of the Coronavirus pandemic. The report was being presented at the earliest opportunity to the Committee once formal meetings were meeting remotely following the introduction of revised regulations for Committee meetings by the Government. As a result, the majority of the details of the report had to be considered in parallel with the updated report as recorded in Minute 12.

Questions on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

Mary Wren and Grant Patterson both attended the meeting to represent Grant Thornton and outlined the planned Audit and what work had been completed.

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

- Value for Money guidance under discussion with National Audit Office in respect of pandemic and mindful the Council was making regular submissions to the Government on the financial impact of the pandemic;
- the value for money for 19/20 included some forward looking but this was only up to 31 March 2020;
- Grant Thornton had specific tools/models in place to assess the value for money and going into the year the Council was in a better position than a significant number of other Councils, but the Council would be facing a lot of challenges;
- the loans approved by Council and the assessment of these being repaid to the Council was considered as part of the audit; and
- Grant Thornton would look at values of loans and what they were made against, as at 31 March 2020, and these may be accompanied by some notes in the final opinion.

Resolved that

- (1) the 2019/20 External Audit Plan as set out at Appendix A to the report and the "Informing the Risk Assessment" as set out at Appendix B to the report be approved;
- (2) the progress on the 2019/20 audit to date, be noted; and
- (3) the documents supplied by Public Sector Audit Appointments, Appendices C and D to the report, which consider the local authority external audit market and potential fee implications, together with Grant Patterson's presentation thereon, Appendix E to the report, be noted.

11. 2019/20 Audit of Accounts – Update Report

The Committee received a report from finance that supplemented the report prepared for Finance and Audit Scrutiny Committee in March 2020, minute 10, presenting an update on the current position for the closure of 2019/20 Accounts.

In response to the COVID 19 Pandemic the government had amended to key dates for the completion of the 2019/20 Statement of Accounts as follows:-

- Draft Accounts – to be available from 31 August 2020 (slipped from 31 May 2020);
- Draft Accounts to be advertised on or before 1 September 2020 (previously 10 June); and
- Audited accounts to be agreed by 30 November 2020 (previously 31 July 2020).

Officers were aiming to adhere as close as possible to the original timescale, despite some time being lost whilst staff adapted to new working

practices and the relevant ICT was rolled out. As a consequence, the draft accounts were now planned on being ready for the middle of June.

The External Auditors had planned their next work on site 1 June for a week, followed by 15 June. Slipping the Accounts into June assisted the Auditors who would have struggled to adhere to the 1 June date due to other audit commitments, primarily in relation to the NHS. Consequently, the Auditors were planning on being on site for 2 weeks from 15 June, then a further 2 weeks from 6 July. On this basis, it was planned to report the Audited Accounts to Finance and Audit Scrutiny Committee at the end of July.

The Accountants and the Auditors acknowledged there would have remained risks to achieving these dates. Within the original timetable, there was believed to be sufficient contingency time. Progress on the completion of the Accounts was closely monitored and any potential changes to the current plan would be shared with the Finance Portfolio Holder and the Chair of Finance and Audit Scrutiny Committee.

A question on this item had been submitted ahead of the meeting and response to these published as an addendum to the agenda.

Resolved that the

- (1) new statutory timetable for the closure of accounts and the plans for the completion of the Council's Statement of Accounts, be noted; and
- (2) Audit Action Plan Update issued by the Council's External Auditors, be noted.

(The meeting ended at 7.40pm)

CHAIR
19 August 2020