

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 30 September 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, Illingworth, Syson, Tracey and Wright.

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

20. Apologies and Substitutes

- (a) apologies for absence were received from Councillor Luckhurst; and
- (b) there were no substitutes.

21. Declarations of Interest

There were no declarations of interest made.

22. Minutes

The minutes of the meeting held on 19 August 2020 were taken as read and signed by the Chair as a correct record, subject to a minor correction to the final paragraph to replace the words "for managing to a very performance" and replacing with "delivering a very good performance".

23. Annual Governance Statement 2019/20 Action Plan: Review of Progress

The Committee received a report from Finance that detailed progress made in addressing the governance issues facing the Council that were set out in its Annual Governance Statement 2019/20.

Resolved that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2019/20, be noted.

24. Internal Audit Quarter 1 2020/21 Progress Report

The Committee received a report from Finance that advised on progress in achieving the Internal Audit Plan 2020/21, summarised the audit work completed in the first quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

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

The Committee was operating, in effect, as an audit committee in the context of receiving and acting upon the report. Guidance on the role and responsibilities of audit committees was available from a number of sources. That which related to audit committees' relationship with internal

audit and in particular the type and content of reports they should receive from internal audit was summarised in Appendix 1 to the report.

Just one audit had been completed in the first quarter of 2020/21. This lack of progress was due to the Coronavirus pandemic necessitating in Internal Audit staff being assigned to other tasks, in particular, processing and checking business grant applications and payments, as well as helping out at the Shielding Hub. The impact of this on the Audit Plan was explained in a separate report on the agenda.

An addendum to the report was circulated after the publication of the agenda. This included a revised Appendix 2 that corrected the original calculations within the original Appendix, and an updated Appendix 4 that provided the previously outstanding responses.

These updates were further to the previous responses. Members were advised that this was indicative of the pressures caused by the pandemic that this was the first report provided to Committee with so many outstanding responses. CMT would be re-iterating the need for timely provision of updates to all relevant managers in this critical area of work and, as previously indicated, it would be useful for Members to note that a late addendum was less than ideal as that would reinforce the message on the need for effective governance in this area of work.

Resolved that the report and appendix be noted.

25. **Revised Internal Audit Plan for 2020/21**

The Committee considered a report from Finance that presented revisions to the Internal Audit Plan for 2020/21. The updating of the original Plan was necessary due to the consequences of the Coronavirus Pandemic.

The Internal Audit 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 original Internal Audit Plan for 2020/21 was approved by SMT on 17 February 2020 and by the Finance and Audit Scrutiny Committee in May 2020, after the Committee meetings were suspended in March and April 2020.

The onset of the Coronavirus pandemic, impacting on the Council from March, had meant that the Internal Audit Plan had to be revised. There were two principal reasons for this – Internal audit staff being assigned to other tasks and less efficient working arrangements.

In response to the Coronavirus Pandemic, Internal Audit staff had been and continued to be assigned to various other tasks - some of an audit or investigatory nature, others completely unrelated to auditing or investigating. The former included pre and post payment checks of business grants. The latter included working at the Shielding Hub in Whitnash, established to deliver provisions to people needing to shield.

Current working arrangements were not as productive as those in place before the pandemic. The loss of direct contact with auditees and the lack of a presence at Riverside House were not conducive to auditing efficiently.

Inferior working arrangements (primarily accommodation, furniture and IT equipment) had been factors affecting productivity, as had been the absence of colleagues which impeded the quick resolution of queries, especially important for less experienced staff.

The current working arrangements were anticipated to continue for at least the short term and the revised Plan took this into account.

To help inform the changes required to the Audit Plan, Service Area Managers were requested to complete a short survey. Completion of the survey enabled the highlighting of changes to services and to the control environment in which the services operated. In the absence of any responses to this request for information, Internal Audit had to use its own judgement to update the Plan. Two main factors were taken into account in deciding which assignments should remain in this year's Audit Plan and which could be deferred - the assessment from the previous audit and the length of time since the activity was last audited.

Appendix 1 to the report set out all the original planned audits for 2020/21 analysing the current status of each audit, the original target days, the actual number of days spent to date (up to 16 August 2020), the remaining number of days and the proposed number of days for the revised Plan. There was a 'notes' column that recorded some basic information about each assignment - in particular, whether it was to be completed (or was completed) or whether it was to be deferred.

The appendix detailed other activities undertaken by the Internal Audit team under the same headings as detailed above. This helped to show where time had been spent and why it was no longer possible to complete all the original planned audits.

The revised Internal Audit Plan was approved by SMT on 7 September 2020.

The Committee took the opportunity to thank the Audit & Risk Manager for the detailed work and planning that had been taken into account in revising the plan and the additional work the team had taken on.

There was a concern over the deferment of the cyber security audit which the Monitoring Officer agreed to review and feed back to the Committee.

There were concerns about how achievable the plan was and the Committee felt there was a need for them to monitor this. Therefore, Members agreed that the Audit & Risk Manager should provide them with a short assurance statement, as part of the work plan, for each of their meetings this municipal year.

Resolved that

- (1) the revised Internal Audit Plan for 2020/21 be approved; and
- (2) the Audit & risk Manager provide a short update/assurance on progress as part of the work plan for each meeting this municipal year.

26. **Anti-Fraud and Corruption Statement 2020/21**

The Committee considered a report from Finance that sought approval of the Anti-Fraud and Corruption Statement.

The Statement provided a record of the Council's policies and objectives in regard to countering fraud and corruption and was set out as Appendix A to the report.

There were a number of ongoing actions that were being undertaken in order to prevent, deter and detect fraud and corruption and these were set out in Appendix B to the report.

The Statement had been reviewed to ensure that it remained relevant given the way that the Council operated and it had been compared with a number of other strategies including those of the other Warwickshire councils. The Statement was broadly similar in content to the others examined and no changes were considered necessary as part of this review.

Resolved that

- (1) the Anti-Fraud and Corruption Statement, be approved; and.
- (2) the ongoing actions to prevent, deter and detect fraud and corruption, be noted.

27. **Corporate Fraud Investigation Performance report 2019/20**

The Committee considered a report from Finance that detailed the performance of the Corporate Fraud Investigation team for 2019/20.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Counter-fraud measures formed a key part of each of those elements and so Members of an audit committee required assurance on anti-fraud and corruption activity.

Resolved that the report, including its appendices, be noted and, where appropriate, approved.

28. **Statement of Accounts and Audit Findings report**

The Committee considered a report from Finance that presented the 2019/20 Audited Statement of Accounts and the External Auditor's Audit Findings Report.

The draft 2019/20 Statement of Accounts were published on the 18 June 2020. As previously reported, due to the Covid-19 crisis, the statutory deadline for this had moved from 31 May to 31 August. The accounts had subsequently been subject to audit by Grant Thornton, the Council's

external auditors. The date for the audited accounts to be signed off had also been put back by four months from 31 July to 30 November.

The Audit Findings Report, from Grant Thornton, explained that the audit of the accounts had gone well in the circumstances. The report explained how there had been some problems in carrying out some elements of the audit using remote working but, despite this, the Accountants and Auditors had worked together to complete the audit.

There had been one significant adjustment to the draft accounts. This related to Assets under Construction being revalued before being brought into use, rather than at historic cost as per the Accounting Code. This did impact on the Comprehensive Income and Expenditure Statement (decreases expenditure) and Balance Sheet (increases asset value) but did not impact upon the Council's usable financial resources.

There had been some minor changes to the accounts, agreed with Grant Thornton, these mostly being presentational. More details of these were set out in Appendix C of the Grant Thornton Report.

There were two misstatements within the accounts for which it was proposed not to adjust the accounts. These were in relation to Property Plant and Equipment (PP&E) and Net Pension Liability.

The value of PP&E per the financial statements was £501,725k. The value of assets per the underlying asset register was £501,775k, a difference of £50k. Given the value of the total assets within the balance sheet was over £0.5bn, this difference was not deemed significant for the purpose of the accounts. Officers would ensure this difference was investigated and corrected for the 2020/21 Accounts.

The Council had received a revised pension report from the actuaries to reflect the actual return on plan assets for the year to 31 March 2020. The impact of this would be a revised estimated net pension liability of £40.476m, a reduction in the liability of £415k. As the estimated pensions liabilities were expected to arise over a significant timescale (c20 years), and would be recovered with future pension contributions, it had been agreed not to adjust for these later figures.

Further to the completion of the draft accounts, the accountants had established that £281,400 earmarked reserves were wrongly charged to the General Fund instead of the Housing Revenue Account. This had been adjusted within the final Statements, in agreement with the auditors. This, in conjunction with some other minor adjustments, meant that the General Fund had an additional £316,000 resources. Consideration of the use of this would be addressed within a future Budget report. For the Housing Revenue Account, this change, in conjunction with some other minor adjustments, meant the contribution to the HRA Capital Investment Reserve had reduced from £4.090m to £3.762m.

The audit of the accounts was now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached to the report). Consequently, Members were asked to approve both the letter of representation and the Audited Statement of Accounts.

Unfortunately, Grant Thornton would not be able to issue their final audit Statement and so sign off the Accounts until the Warwickshire County Council Accounts had been signed off. This was because of the District Council accounts being reliant on the pensions fund figures within the WCC Accounts. The WCC accounts were expected to be signed off during October.

Should the final work by Grant Thornton require any further changes to the Council's Statement of Accounts, it was recommended that these be agreed by the Chairman of the Finance and Audit Scrutiny Committee.

A review of the closedown and production of the 2019/20 Accounts was due to commence in October 2020. This would focus on some of the areas that presented a significant challenge as a result of the move to remote working, and address the issues outlined in the Audit Findings Report.

Having the audited accounts signed off well ahead of the November deadline in the current environment was a major achievement. This had entailed hard work by the Accountancy Team, officers across the Council and also from the external auditors. The close working from all involved had been important in enabling the Council to get to this position. It was understood that the Council was in a far better position than many local authorities.

In response to questions from the Committee, it was confirmed that the Council had serviceable reserves in the region of £23million.

Resolved that

- (1) the 2019/20 Audit Findings Report, be noted;
- (2) the letter of representation, be approved;
- (3) the 2019/20 Audited Statement of Accounts, with the changes having been made as detailed in the report, be approved;
- (4) the Chairman of Finance and Audit Scrutiny be authorised to agree any minor final changes to the accounts if required from the final work of the external auditors; and
- (5) officers across the Council be thanked for their work in completing this work well ahead of the scheduled deadline.

29. 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 2020/2021 Municipal Year (Appendix 1) 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.

Resolved that the report be noted.

30. **Executive Agenda (Non-Confidential Items and Reports) – 1 October 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on 1 October 2020.

Item 3 Risk Management Annual Report 2019/20 and Strategy

The Finance & Audit Scrutiny Committee was satisfied with the proposals as set out in the report.

(The meeting ended at 7.36pm)

CHAIR

11 November 2020