

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 25 July 2017 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Barrott (Chair), Councillors; Cain, Gallagher, Gifford, Margrave, Murphy, Noone and Quinney.

Also present: Councillors Butler, Rhead, Phillips and Whiting.

30. **Apologies and Substitutes**

- (a) Apologies were received from Councillors Davies and Howe; and
- (b) Councillor Murphy substituted for Councillor Illingworth.

31. **Declarations of Interest**

There were no declarations of interest.

32. **Minutes**

The minutes of the meeting held on 31 May 2017 were agreed and signed by the Chairman as a correct record.

33. **Statement of Accounts and Annual Governance Statement 2016/17**

The Committee received a report from Finance which advised that the 2016/17 Accounts had been closed and were in the process of being audited. The Audited Statement of Accounts was presented to Finance and Audit Committee for its approval and was attached as Appendix A to the report.

The Executive was due to consider the Final Accounts at its meeting on 26 July 2017 and the report would detail the out-turn by Fund, with explanations for significant variations from Budget.

Members were reminded that the Final Accounts process for 2016/17 had been brought forward to comply with the regulations which would come into force for the 2017/18 Final Accounts. Under the Accounts and Audit Regulations 2015, Local Authorities' audited Statement of Accounts from 2017/18 had to be published by 31 July 2018, and annually thereafter. The Final Accounts process for 2016/17 had been brought forward this year to comply with this.

The report advised that the Accounts were completed by the end of May, allowing two months for the Audit process.

The Statement of Accounts had been updated from the initial draft completed in May 2017 to reflect the initial comments from the auditors, these being minor changes to the narrative. The Statement had been prepared using principles and practices of accounting which 'presented a true and fair view' of the financial position and transactions of the Council. 'Proper accounting practices' were deemed to be those specified in CIPFA's

"Code of Practice on Local Authority Accounting in the United Kingdom 2016/17" ("the Code") which involved interpretations of accounting standards and other pronouncements by the Accounting Standards Board.

The Statement of Accounts was comprised of four primary statements plus two supplementary statements that reflected specific activities of a shire district council – the Housing Revenue Account and the Collection Fund.

The first primary statement was the Comprehensive Income and Expenditure Statement (page 19). This was a more detailed analysis of the true economic cost of providing services. Although it would appear that the Council was operating at a large surplus, this was mainly due to the HRA impairments reversal (-£36.8m) and the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council was putting aside resources to build more homes.

The second primary statement was the Movement in Reserves Statement (page 20). This showed the movement in the year on the different reserves held by the Council and analysed them into 'useable reserves' (i.e. those that could be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves').

The report also highlighted the Balance Sheet, detailed at page 21 and the Cash Flow Statement, detailed at page 22 which was a summarised account with the notes providing the details.

Representatives from Grant Thornton, Mr Patterson and Ms Lillington addressed Members and explained that the audit of the accounts had not been finalised. This was due to the timeframes surrounding the earlier process which just could not be met on this occasion. Mr Patterson & Ms Lillington assured Members that the audit was ahead of previous years and they continued to work with officers to do things differently. They stated that significant improvements had been made from previous years.

Despite these improvements, there were still areas that could work better including the availability of working papers when requested. It was hoped that the audit would be completed by the end of the week and with the Head of Finance by the beginning of August.

Mr Patterson advised that they would be in a position to update Members on the objections to the accounts at the next Finance & Audit Scrutiny meeting.

The Head of Finance advised that the team had completed the accounts two months earlier than in previous years. This new way of working was a pilot and officers had been very close to meeting the deadline. Warwick District was not the only local authority to move to an early close down and was not alone in missing the date.

In response to a question, Mr Patterson explained that processes had been completed faster but errors had crept through as a result. The Head of Finance assured the Committee that the department had taken these points on board and was improving its processes.

The Strategic Finance Manager addressed Members and advised that 'lessons learned' meetings had already been booked in and officers were meeting with Audit in early September.

Members agreed that the workplan should be altered in light of the Audit Findings report being unavailable until the 30 August meeting.

Having considered the report and presentation, the Committee therefore

Resolved that the decision be **deferred** until the Audit Findings report was available at 30 August 2017 meeting.

34. **Development Services Risk Register**

The Committee received a report which set out the process for the review by Finance & Audit Scrutiny Committee of the Development Services Risk Register.

The review process enabled the Committee to fulfil its role in managing risk. In its management paper "Worth the risk: improving risk management in local government", the Audit Commission clearly set out the responsibilities of Members and officers. These were detailed in the report.

Risk registers were in place for all significant risks facing service areas in the provision of their services. In addition to service risk registers for all service areas, the Significant Business Risk Register contained the organisation's corporate and strategic risks.

The latest version of the Development Services Risk Register was attached at Appendix 1a and 1b to the report and had last been reviewed by Finance & Audit in September 2015.

The Development Services Risk Register was owned and managed by the Development Services Management Team and the Portfolio Holders for Business and Policy and Development. The register was reviewed on a regular basis by the Managers of the service area and discussed on a regular basis with the Portfolio Holders as identified in the Service Area Plan. Although the risk register for the service area was one document, it was split into portfolio holder areas for operational reasons. Furthermore, there was a risk for the service area relating to the Local Plan also managed through the review of the Significant Business Risk Register.

The scoring criteria for the risk register was subjective and based on an assessment of the likelihood of something occurring and the impact that might have. Appendix 2 to the report set out the guidelines that were applied.

Councillor Rhead, Portfolio Holder for Development Services and Councillor Butler, Portfolio Holder for Business attended the meeting, along with the Head of Development Services and introduced the report. Councillor Rhead highlighted that all movements were positive, implying that the risk had decreased.

Councillor Butler supported this statement and advised that the document accurately represented the risks and relevant mitigation measures.

Following a query raised about Risk 8 on page 18 of the report, the Head of Development Services advised that this had been combined with Risk 7

because it had been felt too repetitive. Councillor Rhead agreed that he felt there had been too many repetitive risks and had therefore consolidated this into one risk. It was suggested that the word 'procedures' be added to clarify that the risk was not solely highlighting the failure to determine applications within certain timescales.

Further discussions were held relating to the risks associated with the Local Plan. The Portfolio Holders reminded Members that they continued to work closely with officers and had attended 'Risk Workshops' with the Audit and Risk Manager. It was important that the risks were re-evaluated to ensure they remained current because the register needed to be a real management paper.

Members were reminded that it was not pertinent to eliminate a risk because it was 'low' because there was always the chance it could change. In addition, it may take a lot of work to keep those risks 'low'.

Having considered the report and presentation, the Committee therefore

Resolved that the Development Services Risk Register is noted.

35. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 26 July 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 26 July 2017.

Item 3 – Final Accounts 2016/17

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

Item 5 – Improvements in Royal Pump Rooms

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

However, Members raised concerns that the catering contract at the Pump Rooms will be extended for a further 12 months from February 2018 although they noted the reasons for this decision.

Item 8A – Significant Business Risk Register

The Finance & Audit Scrutiny Committee noted the report but expressed its dissatisfaction that the Leader of the Executive was not available to attend the meeting and answer its questions.

36. **Anti-Fraud & Corruption Progress Report 2016/17**

The Committee received a report from Finance which informed Members of the progress made in implementing the 2016/17 action plan and presented the 2017/18 action plan for approval.

In 1995, the Council was among the first in the country to adopt formally an Anti-Fraud and Corruption Policy and Strategy. Since that time the

strategy had been subject to an annual review and for some time the review had been accompanied by an action plan to maintain the strategy and to help deliver its objectives. A copy of the strategy was attached as Appendix C to the report.

The report ensured that the strategy was reviewed and remained relevant and completing the action plan contributed towards improving the overall control environment, raising awareness on fraud and corruption matters and the prevention and detection of fraud and corruption.

The strategy related to internal fraud only and not to any frauds involving Council Tax Reduction, Single Person Discount, Business Rates and Right to Buy. There was a separate strategy for those areas, overseen by the Benefits Manager.

The action plan was based on the continuous improvement of the Council's anti fraud and corruption measures. The completion of the 2016/2017 action plan needed to be considered along with the action plan for 2017/18.

The Audit and Risk Manager introduced the report and explained that there had only been fairly routine actions required. The state of internal control at the Council was felt to be good and the main aims of this document were to raise awareness. The Anti-Fraud and Corruption message was a key part of the induction process for new employees and officers delivered a session at the Corporate Induction.

Having considered the report and presentation, the Committee

Resolved that

- (1) the report and the progress made in implementing the 2016/2017 action plan, attached at Appendix A to the report, are noted; and
- (2) the action plan for 2017/2018, attached at Appendix B to the report, is approved.

37. Comments from the Executive

The Committee considered a report from Democratic Services which summarised the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 28 June 2017.

Resolved that the report be noted.

38. Review of the Work Programme & Forward Plan

The Committee considered its Work Programme for 2017/2018 and the Forward Plan.

Officers highlighted the following additions and amendments:

The Audit Findings Report would be submitted to 30 August 2017 meeting.

Resolved that the report be noted.

39. **Public & 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 paragraphs 1, 2 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

40. **Confidential Minutes**

The Committee received the confidential minutes of the meeting held on 31 May 2017.

Councillor Noone raised a number of issues with the content of the minutes, which in turn led to a discussion relating to previous reports and decisions made around the Electrical Maintenance Contract.

Further content of this debate would be contained in the confidential minutes to the meeting.

Due to the discussions referred to above, the minutes were not agreed and would be submitted to a future meeting.

(The meeting ended at 8.20pm)