

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 1 June 2016 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors; Cain, Day, Mrs Falp, Gifford, Harrington, Illingworth, Mann, Quinney, Rhead and Thompson

Also present: Councillors; Butler, Cross, Mobbs and Whiting.

1. **Apologies and Substitutes**

(a) Apologies for absence were received from Councillor Barrott.

2. **Appointment of Chair**

Resolved that Councillor Quinney be appointed Chair of the Committee for the 2016/17 municipal year.

3. **Declarations of Interest**

Minute Number 7 – Agenda Item 9 – Local Plan Budget

Councillor Illingworth declared an interest because he had been involved in the Neighbourhood Plan for Kenilworth Town Council.

Councillor Thompson declared an interest, during the meeting, because he was a Royal Leamington Spa Town Councillor.

Minute Number 7 – Agenda Item 10 – Repair of Listed Boundary Walls

Councillor Rhead declared an interest, during the meeting, because he was a resident of Barford.

Minute Number 10 – Agenda Item 11 – Warwick District Infrastructure Delivery Plan

Councillor Gifford declared an interest because he was a Warwickshire County Councillor.

4. **Minutes**

The minutes of the Finance & Audit Scrutiny Committee of 8 March and 5 April 2016 were taken as read and signed by the Chairman as a correct record.

The minutes of the Joint Finance & Audit and Overview & Scrutiny meeting held on 19 April 2016 were taken as read and signed by the Chairman as a correct record.

5. **Executive Agenda (Non Confidential Items & Reports – Thursday 2 June 2016)**

Agenda Item 2 – Final Accounts 2015/16

The Committee supported the recommendations and were pleased to see that £900k was being allocated to the Covent Garden Multi Storey Car Park reserve.

However, Members felt that the Executive needed to be mindful that the HRA was likely to come under pressure as/when the provisions within the Housing and Planning Act were fully known.

In addition, concerns were raised that some of the budget setting had been over prudent and officers needed to be careful when making judgements using historical data.

Agenda Item 7 – Tourism Update

The Committee supported the recommendations in the report. Members felt that it was imperative to encourage close working relationships between event organisers and Neighbourhood Services, to ensure that clean-up operations during and after events were carried out effectively.

6. **Contracts Register – Health & Community Protection**

The Committee considered a report from Health and Community Protection which set out the process for the review by Finance & Audit Scrutiny Committee of the service areas Contracts Register.

In March 2014 the Finance and Audit Scrutiny Committee requested that it review each departmental Contracts Register in turn. These reviews were intended to follow the approach used to review the Risk Register, whereby the relevant portfolio holder and head of service were available to answer the committee's questions.

The review provided members with the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved and consider the document within the context of promoting sound procurement practice across the Council.

The latest version of the contract register was attached as Appendix 1 to the report.

The Head of Health and Community Protection, Ms Rolfe, presented the report and introduced the new Regulatory Manager, Ms Hudson.

Ms Rolfe explained that in addition to the information provided in paragraph 9.2 of the report, relating to contracts which were not stored in the deed store, hard copies of two CCTV contracts had been received and were now stored away.

Members raised concerns that the Air Quality Contract had not been signed despite officers' attempts at chasing the contractor. Some members felt that the service should be cancelled or payment withheld

until the contract had been signed and returned. However, it was agreed that officers should communicate the Committee's dissatisfaction with the situation to the contractor and request that the contract be signed and returned without delay.

Councillor Whiting addressed members and reminded them that the Procurement Team was heavily involved in these contracts and shared the officers' frustrations.

Resolved that the report be noted.

7. **Executive Agenda (Non Confidential Items & Reports – Thursday 2 June 2016)**

Agenda Item 5 – Fit for The Future

The Committee supported the recommendations in the report.

Agenda Item 9 - Local Plan Budget

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

Agenda Item 10 – Repair of Listed Boundary Walls

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

8. **Infrastructure Delivery Plan**

The Committee considered a report from Development Services that updated Members on the progress made regarding the Infrastructure Delivery Plan (IDP) associated with the Local Plan and the District's future growth requirements to 2029. The IDP had been updated to reflect the latest information arising from ongoing discussions with infrastructure providers and to reflect emerging infrastructure requirements to support the proposed modifications to the Local Plan.

The IDP had been developed in association with the District's emerging Local Plan and was a necessary component of the development plan process as prescribed by the National Planning Policy Framework (NPPF).

A full description of the purpose and background to the IDP was set out in the first ten pages of the IDP master document that accompanied the report. In addition, a revised version of the IDP text and table were detailed at Appendix 1 to the report.

Members were reminded that the IDP was a strategic document which supported the Local Plan. It sought to contain enough detail to demonstrate that strategic sites could be delivered and that there were plans in place regarding how this could be accomplished. The IDP was an important part of the development process because it not only supported the delivery of the Local Plan but provided developers and infrastructure providers with high level information which could be used to inform detailed master-planning, viability and site delivery.

The IDP had been refreshed to reflect the additional requirements associated with the changes made to the Local Plan. The amendments also provided a more concise and manageable set of tables that focused on infrastructure needs and the funding sources for this. Key benefits of the revisions to the IDP were outlined at paragraph 3.3 and the risks associated with the absence of a robust IDP were detailed in section 6 of the report.

The report requested that Members note the report and a recommendation was included to report back to the Committee in six months' time, with a further update.

The Senior Planning Officer introduced the report, highlighted the changes that had been made and advised that Council staff were working closely with Warwickshire County Council colleagues because the document was constantly in motion.

Members felt that a report in six months' time was too late for the Committee to scrutinise the issues before the examination of the Local Plan. Officers reminded Members of the amount of work needed to produce a report of this level, along with the current high workload involved in preparing the Local Plan for examination. As a compromise, it was agreed that a verbal report could be given at the beginning of the September 2016 meeting.

Members raised concerns that there was a risk of funding shortfalls and requested timelines as to when schemes were likely to be delivered. Other issues discussed were transport, the impact on town centres, the impact of HS2 and funding for schools.

The Committee therefore

Resolved that

- (1) the content of the report be noted;
- (2) the officers will report back to the Committee in six month's time; and
- (3) a verbal report be given at the early September 2016 meeting.

(Councillor Cain left during this item)

9. Internal Audit Quarter 4

The Committee considered a report from Finance that detailed the performance of Internal Audit for the relevant quarter period.

It also set out the recommendations relating to those reports, together with the management responses. For those reviews awarded less than substantial assurance, the reports were presented in full and this report provided an update on the state of recommendations issued in earlier quarters.

At the start of each year Members approved the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2015/16 was set out as Appendix 2 to the report. The report advised that all audits planned for the year had been completed.

Fifteen audits were completed in the fourth quarter of 2015/16 and copies of all the reports issued during the quarter were available for viewing on the system.

The action plans accompanying all Internal Audit reports issued in the quarter were set out as Appendix 3 to the report and 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.

One of the audits completed during the quarter was awarded a lower than substantial assurance opinion; Warwick Plant Maintenance (Procurement). In line with protocol, the report relating to this audit was set out as Appendix 4 to the report for specific scrutiny.

The Audit and Risk Manager outlined the report, confirmed that all audits in the plan had been completed and advised that there were no outstanding responses from officers. He signposted Members to the one audit that had received less than substantial assurance at Appendix 4.

Members commended the officers for completing all of the audits and putting sufficient measures in place where necessary. A number of questions were asked relating to the Warwick Plant Maintenance (Procurement) audit and it was noted that the Head of Housing and Property Services had inherited this issue and looked to resolve the issue immediately.

Members noted that although the sums of money concerned were not large, they still needed managing properly. Officers assured the committee that the difficulties with procurement were recognised across the Council, and the Senior Management Team was committed to improving standards and learning as a corporate body.

Resolved that the report be noted.

(Councillor Gifford left during this item and Councillor Harrington at the conclusion of the item)

10. **Annual Governance Statement Action Plan 2015/16: Review of Progress**

The Committee considered a report from Finance which reviewed the progress that was being made in addressing the 'Significant Governance Issues' facing the Council, set out in its Annual Governance Statement 2014/15. The appendix accompanying the report set out the progress in addressing the Significant Governance Issues.

The production of an Annual Governance Statement was a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).

The Statement described governance arrangements relating to the Council's corporate priorities and key strategic projects that were reflected in Fit for the Future. The Fit for the Future programme was also based on an agreed set of values, amongst which were those of openness and honesty. This was integral to the consideration of governance in an organisation; governance issues needed to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.

The arrangements assisted the Council in furtherance of its priority of providing clear community leadership and effective management of resources, whilst delivering responsive public services in an open and transparent manner.

The governance issues facing the Council had been identified from the production of the statutory Annual Governance Statement, and were summarised in the Annual Governance Statement Action Plan for 2015/16 that formed part of the Annual Governance Statement for 2014/15.

The Annual Governance Statement (incorporating the Action Plan setting out the Significant Governance Issues) had been approved by Full Council and the appendix accompanying this report set out the progress in addressing the Significant Governance Issues.

The report requested that Members review the Action Plan and confirm if they were satisfied with the progress being made.

Members noted that the Annual Governance Statement was a lot more concise than in previous years and it was agreed that this was due to the de-cluttering of the accounts carried out by officers. In addition, some of the information was provided in diagram form, rather than narrative.

The Committee therefore

Resolved that the report be noted.

11. **Internal Audit Annual Report**

The Committee considered a report from Finance which presented a summary of the internal work undertaken during 2015/16 and provided a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

This also formed part of the evidence for the Annual Governance Statement.

The Public Sector Internal Audit Standards that the Council's Internal Audit Service must comply with 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."

The Annual Report was attached as Appendix 1 to the report.

The report requested that the Committee consider the Annual Report of Internal Audit for the year ending 31 March 2016, as part of its consideration and approval of the Annual Governance Statement 2015/16.

The Audit and Risk Manager introduced the report and advised that, as a result of the robust audits undertaken, the Council was broadly well controlled and well governed.

The Committee were satisfied with the report and thanked the officer for a comprehensive introduction.

Resolved that the Annual Report of Internal Audit for the year ending 31 March 2016, as part of its consideration and approval of the Annual Governance Statement 2015/16, be noted.

12. **Annual Governance Statement 2015/16**

The Committee considered a report from Finance that set out an Annual Governance Statement for 2015/16 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 that would be approved by Full Council.

The report advised that an action plan to improve governance formed part of the Statement. The actions would be addressed by management in line with an agreed timetable, and progress in achieving these actions would be reported to Members quarterly.

In addition, the report explained that the production of an Annual Governance Statement was a statutory requirement for local authorities and detailed the process for completion of the statement.

The Statement had been produced in accordance with the stages outlined in 'The Annual Governance Statement – Rough Guide for Practitioners' by CIPFA, and the stages were explained in full in section 9.4 of the report.

The report requested that the Annual Governance Statement for 2015/16 be approved as set out at Appendix A to the report.

Councillor Illingworth highlighted paragraph 3.73 of the report, page 11, and questioned whether the Committee should support the statement that only moderate levels of assurance had been given to the services listed in the past 12 months.

It was agreed that paragraph 3.73 should be amended to read:

"During the year Internal Audit gave substantial levels of assurance to 30 and moderate levels of assurance to 8 functions, in respect of..."

The Committee therefore

Resolved that the Annual Governance Statement for 2015/16 for Warwick District Council as set out at Appendix A with the amendment to paragraph 3.73 be approved.

13. **Review of Internal Audit**

The Committee considered a report from Finance that contained details of the results of a review of the Council's Internal Audit Service, required under the Public Sector Internal Audit Standards.

The Public Sector Internal Audit Standards (PSIAS) required that "*The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity*" and that "*The quality assurance and improvement programme must include both internal and external assessments.*"

As well as internal assessments of the performance of the internal audit function that included ongoing monitoring of the activity and periodic self-assessments, external assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation.

The PSIAS also stated that "*The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.*" The improvement plan that formed part of the external assessor's report was therefore included within the Internal Audit Annual Report that was issued to Finance & Audit Scrutiny Committee at this same meeting.

The Final Report for the external assessment of the internal audit function at Warwick District Council was attached as an appendix to the report.

The Audit and Risk Manager introduced the report and advised that this had been a full external review which was robust, comprehensive and objective.

The External Auditor had raised a number of compliance or professional standard issues, some of which had already been addressed and some which were detailed to be completed. It was noted that the risk of fraud should be detailed in the terms of reference and Members noted that private meetings were in line with good practice standards.

These meetings gave the Chairman of Finance and Audit Scrutiny Committee, the Senior Audit Officer and external auditors the forum to partake in free and frank discussions.

The Committee therefore

Resolved that the report be noted and its contents accepted.

(Councillor Whiting left the meeting at the conclusion of this item)

14. **External Review of Council's Risk Management Arrangements**

The Committee considered a report from Finance that set out the findings from a review of the Council's risk management arrangements by David Penter of Zurich.

The overriding objective for risk management was to embed it within the organisation so that it was a seamless, but fundamental, part of the organisation's processes and was not viewed as a separate bureaucratic activity with little value. However, as with all objectives of this nature, there was no specific picture of what a fully risk-embedded organisation looked like and the goal of embedding risk management was an ongoing process, rather than one with a definite ending.

To advance risk management in the Council, a four year programme of improvements had been initiated in 2011/12. The programme had now ended and it was, therefore, time to develop a fresh set of actions to take the Council further forward in its risk management arrangements. It was decided that these actions should come from an external review of the Council's risk management arrangements.

A review was commissioned by David Penter of Zurich, the international insurance and risk management company. Mr Penter spent a week at the Council reviewing documentation and interviewing staff and members. Mr Penter also attended meetings of the Senior Management Team and the Finance & Audit Scrutiny Committee to observe how both bodies dealt with risk management, and in particular how they reviewed corporate and service risk registers.

The review evaluated the organisation against the National Performance Model for Risk Management in Public Services produced by the Association of Local Authority Managers (ALARM) and, in overall terms, assessed the Council at the middle level of maturity, "Working".

The typical organisational behaviours associated with the "Working" level of maturity were explained in full in section 8.9, and Mr Penter's report was provided at Appendix 1 to the report.

Appendix 2 summarised the findings and recommendations from the review and set out the actions planned to address them, alongside target dates for completion.

The report requested that the results of the review and the actions to be taken to address the issues arising, be noted, and any observations be provided as necessary.

The Audit and Risk Manager introduced the report and answered questions from the Committee. Members noted that not many local authorities had commissioned this type of work and were satisfied with the suggestions for improvement that had been made.

The Committee therefore

Resolved that the results of the review of the Council's risk management and the actions to be taken to address the issues arising, are noted.

(The meeting ended at 9.19 pm)