

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday, 10 June 2015 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors Barrott, Butler, Day, Gifford, Miss Grainger, Harrington, Heath, Illingworth, Mrs Knight and Thompson.

Also Present: Councillor Whiting (Portfolio Holder for Finance); Councillors Mann and Phillips (observing).

Apologies for absence were received from Councillors Quinney and Rhead.

1. **Substitutes**

Councillor Mrs Knight substituted for Councillor Quinney.

2. **Appointment of Chair**

Resolved that Councillor Barrott be appointed Chair of the Committee for the 2015/16 municipal year.

3. **Declarations of Interest**

There were no declarations of interest.

4. **Minutes**

The minutes of the meeting held on 8 April 2015 were taken as read and signed by the Chair as a correct record.

5. **Executive Agenda (Non Confidential Items & Reports) – Tuesday 16 June 2015**

The Committee considered the following item which would be discussed at the meeting of the Executive on Tuesday 16 June 2015.

Final Accounts 2014/15

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

The Committee was concerned by levels of slippage detailed in the report and questioned officers extensively over why this should be. Members accepted that much of it had been down to forces outside of the Council's control, but suggested that where there were resource or other internal issues causing slippage, efforts should be made to address this and to keep the Committee informed of progress.

Officers responded to questions over the outcome and frequency of business rate appeals, pointing out that particularly over the last quarter there had been a significantly higher level of appeals than anticipated due to a 31 March 2015 deadline before which successful appeals could be backdated.

Officers detailed overspends relating to the Openbook process used by Housing & Property Services. The process was being reviewed in an effort to gain better control over repairs, pricing and resources, and it was intended that an update would be presented to Members in the autumn. Consultants who had projected highly optimistic savings through the use of Openbook were to be challenged as part of the review.

Members noted that work had yet to be carried out following asbestos surveys. Delays had been caused by the tendering process and it was intended that work would be completed over the summer.

6. **Internal Audit Report 2014/15**

The Committee received a report from Finance which presented Internal Audit's annual report.

Prior to considering this item, and particularly for the benefit of new Members, the Audit & Risk Manager explained that the Internal Audit and Review of Effectiveness of Internal Audit (minute 7) reports formed part of the evidence for the Annual Governance Statement (minute 8). The Statement and its supporting reports were produced annually and their format was prescribed, so the Council had to abide by that format. The Internal Audit quarterly report (minute 9) related to the Annual Governance Statement in that it formed evidence feeding into the annual reports. Quarterly reports were in a locally approved format agreed by this Committee.

The Audit & Risk Manager's Annual Report and Presentation of Audit Opinion 2014/15 were attached as appendices to the Internal Audit Report. The Annual Report presented a summary of the internal work undertaken during the year and provided an opinion on the overall adequacy and effectiveness of the Council's control environment.

In addition, it drew attention to any issues that needed to be considered for inclusion in the Annual Governance Statement.

The Audit & Risk Manager responded to questions in relation to procedure and the frequency and programming of audits. Members were encouraged to attend a training session arranged for Thursday 10 September which would go into greater detail. Regarding the Council's shared legal service and Section 106 agreements, he pointed out that following reports submitted in the last quarter, actions carried out to date were summarised in the latest quarterly report.

Members noted that the second paragraph under the "Summary of the internal work undertaken...." section of the report should read "moderate", not "limited".

Resolved that, subject to the amendment of "limited" to "moderate" on page 6, the report be noted, as part of the Committee's consideration and approval of the Annual Governance Statement 2014/15.

(Councillor Mann left the meeting during the course of this item)

7. **Review of Effectiveness of Internal Audit 2014/15**

The Committee received a report from Finance which formed part of the evidence for the Annual Governance Statement and presented the findings from the review of the effectiveness of the Council's internal audit for the year ended 31 March 2015.

The Audit & Risk Manager highlighted the fact that the Accounts and Audit (England) Regulations 2011 required such a review at least once a year and presentation of the results to the committee designated to consider or approve the Annual Governance Statement. The format of the report, as with the previous report, was prescribed.

Members noted that Public Sector Internal Audit Standards would replace current audit requirements in the near future and would require the Council to subject itself to extensive peer review.

The Audit & Risk Manager and his staff were thanked for their hard work, particularly given that they had responded well to a number of urgent issues over the past 12 months.

Resolved that the report, forming part of the evidence for the Annual Governance Statement, be noted.

8. **Annual Governance Statement 2014/15**

The Committee received a report from Finance which set out an Annual Governance Statement for 2014/2015 in draft. The Statement described the governance arrangements that were in place during the financial year. The Statement would in due course be signed by the Chief Executive and the Leader of the Council and would accompany the Council's Statement of Accounts, to be approved by Council.

An action plan to improve governance formed part of the Statement. Actions would be addressed by management in line with an agreed timetable. Progress in achieving these actions would be reported to Members quarterly.

The Audit & Risk Manager outlined the report and drew particular attention to section 5 of Appendix A to the report, which listed significant governance issues. From now on this Committee would receive a quarterly update on the status of these items.

Members asked what had been included on the list previously and noted that this information would come before the Committee in due course.

Officers responded to questions relating to business continuity following a recent incident affecting the Council's IT network. The Senior Management Team had reflected on the problem and asked the Audit & Risk Manager to discuss a number of issues with Heads of Service. Business Continuity Plans would be checked to ensure they were up to date.

Differing opinions were expressed over how and when the Annual Governance Statement and its supporting reports were presented to the Committee. Members accepted that the Statement had to be approved by the end of June, but some felt it might be better for supporting reports to be submitted to an earlier meeting. This would allow for a period of reflection prior to consideration of the Annual Governance Statement. Officers agreed to give this some thought.

Resolved that the Annual Governance Statement for 2014/15 be approved.

(Councillor Heath left the meeting during the course of this item)

9. **Internal Audit Quarter 4 2014/15 Progress Report**

The Committee received a report from Finance which advised on progress in achieving the Internal Audit Plan 2014/15 and summarised the audit work completed in the fourth quarter of the year. The report 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 and the report explained the role and responsibilities of Audit Committees in section 8 of the report.

In addition, the report provided an analysis of the progress made against the Audit Plan for 2014/15 which was attached at Appendix 2 to the report.

The Audit & Risk Manager responded to questions about how progress in the status of implementation of audits was highlighted.

The Audit & Risk Manager was pleased to report that all audits planned for 2014/15 had been completed, including fourteen in the fourth quarter of the year. Only one of the fourteen had been awarded a lower than substantial assurance opinion, that being Newbold Comyn Leisure Centre.

Members expressed concern that the Leisure Centre had previously failed to achieve a substantial assurance opinion, but the Audit & Risk Manager expressed a great deal of confidence in the Centre's new Manager.

The Portfolio Holder for Finance added that he was due to discuss the Leisure Centre with the Head of Cultural Services and other officers. He offered his support to the Audit & Risk Manager in expediting the process where there were any concerns about audit conclusions not being implemented.

Resolved that the report be noted.

(The meeting ended at 8.15 pm)