

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 25 September 2018 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair); Councillors Cain, Gifford, Howe, Illingworth, Mrs Knight, Margrave, Murphy, Noone and Wright.

Also present: Councillors Grainger, Mobbs, Phillips and Rhead.

61. Apologies and Substitutes

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

62. Declarations of Interest

Minute 69 - Executive Agenda (Confidential Items & Reports – Wednesday 26 September 2018)

Councillor Gifford declared a Disclosable Pecuniary Interest in Item 11 - Europa Way Spine Road because he was a Warwickshire County Councillor and left the room whilst this item was considered.

63. Minutes

The minutes of the meeting held on 29 August 2018 were taken as read and signed as a correct record.

64. Closure of Accounts 2016/17 Audit

The Committee received a report from Finance that updated the Committee on the progress of the audit of the 2017/18 Statement of Accounts.

The report from Grant Thornton, the Council's External Auditors was included as an appendix to the report.

The Committee was presented with a report on the Statement of Accounts and Interim Audit Findings report from the Council's external auditors in July 2018. Within that report it was explained that it had not been possible for the auditors to complete the audit of the Accounts by the new 31 July deadline. A plan had been produced for the audited accounts to be presented to the Finance and Audit Scrutiny Committee on 25 September 2018.

The work required to correct the draft accounts had been significant. This had notably been around the Movement in Reserves Statement (MIRS) where most of the errors were to be found. Reversing the errors and producing the correct transactions had proved to be a significant undertaking. Any change within any of the Statements had consequential impacts on other Statements and the Notes to the Accounts. In addition to any postings required to the General Ledger, the working papers needed to be fully updated.

The accountants were aware there were errors within the MIRS in the original Statement of Accounts as at 31 May 2018 which was published on the Council's website. Consequently, it was agreed with the auditors at the outset that the accountants would spend more time correcting the MIRS prior to the auditors undertaking their work on the Statements.

The work in "unpicking" the MIRS and correcting it proved a lot more substantial than originally anticipated. The auditors were in regular dialogue over the progress on this work. Unfortunately, this meant that the auditors were unable to commence much of their work on reviewing the accounts. Delays were also compounded by pre-booked annual leave of accountants and auditors. As a result of this, the time available for the auditors to complete all their work ahead of this meeting had been compressed.

At the time of writing this report, the auditors had not had sufficient time to complete all the required assurance work before signing off the accounts. This was despite the intensive working and increased hours of the auditors, and having extra resources brought in for the compressed time available. This was reflected in the Auditor's Report.

The auditors did not believe they would be in a position to issue an audit certificate by 30 September. More testing still needed to be carried out and working payments reviewed. The Statements then needed to be updated for the agreed changes, and required a total review/check by the accountants before they were subsequently reviewed by the auditors. It was only then, when the auditors were content with the updated Statement of Accounts that they could issue their audit certificate.

Work was now progressing on the basis that the Statements of Accounts would be presented in full to the Finance and Audit Scrutiny Committee on 30 October to be signed off. Plans were being agreed with the auditors to enable this, taking into account the availability of staff in each respective team.

As yet, the work undertaken by the accountants and auditors did not suggest that there was any material change to the revenue and capital outturn position reported to the Executive in July.

Once the Statement of Accounts had been finalised, the accountants would then be in a position to complete the Whole of Government Accounts return. Whilst this should not be a significant piece of work, it was required to be signed off by the auditors prior to them signing off the completion of the 2017/18 Audit. Signing off the Statement of Accounts was not dependant on this return being completed.

The Chief Executive was leading on the production of a report to October Executive that reviewed the issues that had led to the problems with the completion of the Statement of accounts for 2017/18 and the subsequent audit thereof. As part of this, the actions needed to be carried out to ensure the successful completion of the 2018/19 audit would be identified.

Grant Patterson and Helen Lillington, from Grant Thornton were present to introduce their report and respond to questions from the Committee.

They explained that there were key themes coming through which had been raised before that the Council would need to respond to, these included:

- How did the Council act on this going forward how did it retain knowledge and skills lost through retirement.
- The quality of working papers needed to be improved across the Council.
- In the 5 September accounts there was no evidence of quality review and these included casting errors from adding up and from background to overall.
- There was a material difference in the Group accounts between May and September and it was found that the way the accounts had been consolidated was not in line with the code of Financial Practice.
- There was potential that the level of investments would need additional disclosure.
- There was ongoing consideration of the accounts in relation to the HEART project.
- The PPE had been signed off but it was likely they would report on size of accruals.
- The Creditor population had been tested and was correct but concern was expressed about the time needed to prepare this as it was a working paper that should be available on demand.

The Chief Executive explained that there would be a report to the Executive in October on how this had occurred.

In response to questions it was explained further by Grant Thornton that

- the Loss of key staff and replacements not in place was identified as a risk in the audit for the previous two years. R The new officers coming through were good but were growing into the role; there needed to be a two stage approach completed this year and planned for 2018/19;
- there was a reported £500k capital accrual. However £200k had been paid instead of £500k so there was £300k to reverse out;
- the basics within the team were sound and there was no question of the Council's level of liquidity;
- while the current IT systems had limitations they were not being used to their maximum potential to help with production of accounts;
- it was recognised a medium term plan to replace the IT Systems was underway, but this did not help with the current position;
- there had been more issues than normal identified within the accounts but this was in part because a greater depth of testing had been undertaken; and
- normally the audit team was made of two or three officers for a Council of this size.

In response to questions the Head of Finance explained that:

- Changes were being made within the process for the closure of accounts and while it would not be perfect next year, the team would cope.
- The IT Systems could be improved but there was recognition that how they were used was equally important.
- The changes that had been made were to the process for the closure of accounts and not monthly workings.
- He had been working on interim resources for the next six months and the recruitment to permanent post which were top priority.

- There would be an discussion with Grant Thornton on confirming if the report to close the accounts would come to the Committee in either October or November 2018.
- It was recognised that there would be a need for officers across the Council to appreciate they held working papers that could be part of the audit and needed to respond to enquiries promptly.

The Chief Executive explained there was recognition of this as a serious issue and he was undertaking a review of this. The review would include meetings with Grant Thornton, and relevant officers from across the Council. He asked Councillors that if they had questions they would like to see included in the report they could send them to him direct. The review report into this would be a private and confidential and he reminded the Committee that it was not responsible for determining staffing matters but if any matters were relevant to this they would be informed of the outcome.

The Leader of the Council explained that there was no pressure on the Head of Service to not spend money on either staff or systems and the important work being undertaken by the Chief Executive was recognised.

Resolved that the update report on the Closure of Accounts 2016/17 Audit be noted.

65. Executive Agenda (Non Confidential Items & Reports – Wednesday 26 September 2018)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 26 September 2018.

Item 8 - Contract for management of shared accommodation provision for former rough sleepers

The Committee supported the recommendation in the report.

Item 6 - Continual Maintenance of Pay on Foot Equipment

The Committee supported the recommendation in the report.

66. Scrutiny of Service Area Performance – Neighbourhood Services

The Committee received a report from Neighbourhood Services that set out its current Risk Register, Contract Register and budgets.

The Head of Neighbourhood Services and the Neighbourhood Services Portfolio Holder were present and in response to questions they explained that:

- the Iverde contract was now signed and in the deed store;
- the perfect circle contract was with the contractor;
- the Allpay contract annual budget was £42k and £47k had been spent;
- when looking at open space it would be reviewed as a whole and not just a specific part, for example not just the play equipment would be considered but the paths and fencing as well;
- there was budget provision for maintenance of play equipment but there was no provision for large scale replacement/upgrades of play equipment; and

- it was considered that there was need for the Council to ensure that it had knowledge of Sustainable Urban Drainage schemes to ensure that when they were transferred to the Council, it was not reliant on the view of Warwickshire County Council.

67. **Review of the Work Programme, Forward Plan Comments from the Executive**

The Committee received a report from Democratic Services that set out its current work programme, the Forward Plan and responses from the comments made by the Committee to the Executive.

Resolved that

- (1) Councillors Illingworth, Gifford and Quinney be appointed to the working party to monitor S106 agreements;
- (2) the work programme be amended so that the report called Corporate Fraud & NFI update in October be renamed NFI update;
- (3) the work programme be amended so that it included a report in November from Andrea Wyatt on the Corporate Fraud Initiative;
- (4) the service review of the Business Portfolio Holder be added to the work programme for February 2019; and
- (5) the service review of Health & Community Protection be moved forward from May 2019 to 30 April 2019.

68. **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 items by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

69. **Executive Agenda (Confidential Items & Reports – Thursday 30 August 2018)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 26 September 2018.

Item 11 - Europa Way – Spine Road

The Finance & Audit Scrutiny Committee was mindful of the significant risks set out in section 6 of the report.

The Committee suggested to the Executive that in recommendation 2.2 it was made explicit that the interest rate should be at least 3.5% and the loan was for no more than £4.4million.

The Committee asked the Executive that in addition to the PCG they sought a quote for insurance against the potential loss of the money proposed to be loaned. On receipt of the quote they should then take a decision on the need for this insurance, based on the value of the loan, risks associated with PCGs and the balance of this against potential revenue from loan.

70. **Executive Agenda (Non-Confidential Items & Reports – on Wednesday 26 September 2018.)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 26 September 2018.

Item 3 - Fees and Charges 2019/20

The Committee thanked the officers for the detailed response to the questions submitted in advance.

The Committee sought clarification on a number of smaller points which the Head of Finance agreed to look at and provide detail for the Executive:

- Can the Council refuse the proposed increase in Core prices by Everyone Active even if they were no greater than CPI?
- On page A23 the increase in fees appeared to vary considerably between 3% and 7%; was there a specific reason for this?
- On page A30 some of the application fees for Private Hire appeared to be lower than the renewal fees; why was this?
- On page A37 there appeared to be no licence fee proposed for dog breeding kennels with over 11 bitches?

In addition the Committee asked the Executive to consider if the concessionary prices for people on benefits, both Core EA prices and in other areas such as Recreational & Sport (pages A13/14), Environmental Health (page A35) and Waste collection (page A55) could be held at the current prices in 2019/20 with standard prices being increased further if necessary to cover the reduced price for concessions. This view was taken based on the freezing of most benefits nationally in cash terms from 2016 to 2020.

(The meeting ended at 8.58 pm)