

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 5 March 2019 at the Town Hall, Royal Leamington Spa at 6.00pm.

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

Also present: Councillors Butler, Coker, Rhead

114. Apologies and Substitutes

- (a) Apologies for absence were received from Councillor Murphy; and
- (b) Councillor Mrs Hill substituted for Councillor Noone.

115. Declarations of Interest

Minute Number 121 – Land Purchase at South Crest Farm in relation to the Relocation of Kenilworth School

Councillor Wright declared an interest because he had a material interest and removed himself from the debate.

Councillor Day declared an interest because he previously provided advice to the school and removed himself from the debate.

116. Minutes

The minutes of the meeting held on 5 February 2019 were taken as read and signed by the Chairman as a correct record.

117. Finalisation of 2017/18 Audit

The Committee received a report from Finance presenting three items of correspondence from Grant Thornton, the Council's external auditors, in respect of 2017/18 Audit. These were:

- the 2017/18 Annual Audit Letter;
- Certification work for Warwick District Council for the year ended 31 March 2018; and
- Pooling of Housing Capital Receipts 2017 – 2018 return.

The Annual Audit Letter summarised the key findings arising from the work that the external auditors had carried out on the 2017/18 Statement of Accounts and Value for Money Conclusion.

The Annual Audit Letter brought together information that had previously been reported to the Committee. This was notably in respect of the late closedown and the subsequent ramifications on the audit. As previously reported in November, the Accounts received an unqualified audit opinion. However, the Value for Money was qualified as a consequence of the delays to the accounts.

Members were reminded of the subsequent work on-going as a consequence of the problems with the 2017/18 Accounts. This work continued to be subject to regular reports to Executive and Finance and Audit Scrutiny Committee.

The auditors had completed the audit of the 2017/18 Housing Benefit Audit. Their letter in respect of this, Certification work for Warwick District Council for the year ended 31 March 2018, was included as Appendix B to the report. Much testing was undertaken by officers and auditors as part of this audit, considering many samples. It would be noted from the letter:

- the overall claim was over £28m, the amendments totalled £14; and
- some errors were identified that had no overall impact on the level of subsidy being claimed.

Due to the errors identified, the auditors were required to qualify the claim. As explained to Members in previous years, nationally it was the exception for the Benefits Subsidy claim not to be qualified.

The Council was required to have the Pooling of Housing Capital Receipts Return audited; this dealt with the receipts from Right to Buys. This audit was carried out by Grant Thornton. Their letter was included as Appendix C to the report. From the letter it was noted that the receipts were correctly allocated with the correct sum paid to the Government for the year.

The total receipt, and how they have been allocated was detailed in a table in Section 3.7 of the report.

The notable finding (7) was with regard to the capital expenditure relating to dwellings sold. This figure did not impact on the allocation of the receipts shown in section 3.7 of the report. In previous years, and throughout the quarterly returns submitted during the year, an estimate of this had been acceptable, but the final return now required an actual figure.

The Head of Finance introduced the report and answered questions from Members.

In response to questions from the Committee, the Head of Finance and the Lead Auditor for Grant Thornton explained that:

- there had been agreed changes to the journal process review to ensure journals were checked before being posted and while this was not required, it was good practice;
- overall skills were being built on across the team and this was a two-year journey;
- the high risk actions had been signed off and the medium risks were in progress, which dovetailed with the action plan from the Chief Executive;
- the Medium Term Financial Strategy had been updated to reflect slippages in major projects, like the HQ. At present, the Authority was in relatively strong position and could absorb that delay from these savings but there would be ongoing discussions to monitor this;



- there had been additional costs to Warwick District Council to bring in additional staff and these would be shown as adverse variance in the budget at year end;
- the next external audit report would include interim findings and would cover the recommendations from last year and actions against them;
- there was a failure of Civica and HC systems to provide details and the Council could not change this. Civica could not balance accounts due to changes to amends on same day for same case. This was a known issue with Civica which had been raised with the supplier; and
- audit fees were based on the Public sector audit set standards an indicative fee for each criteria based on work from two years ago for benefits.

Resolved that

- (1) the conclusion of the 2017/18 Audit be noted;
- (2) the conclusion of the audit of the 2017/18 Benefits Subsidy be noted; and
- (3) the conclusion of the audit of the 2017/18 Pooling of Housing Capital Receipts return be noted.

118. Update on Action Plan following Review of Closure of Accounts

The Committee received a report from the Deputy Chief Executive (AJ) setting out the progress on the action plan that was agreed in the report on the Review of the Closure of 2017/18 Accounts in October 2018.

Appendix 1 to the report set out the monthly progress report on the action plan agreed following the Review of the Closure of the 2017/18 Accounts. Progress was to be noted and for the Executive and the Finance and Audit Scrutiny Committee to make any comments.

The Deputy Chief Executive (AJ) introduced the report and answered questions from Members. It was confirmed that a copy of the report had been sent to the external auditors, for them to make sure the Council was up to date and following the correct process. It was intended that a risk register would be brought forward with the report at the following meeting.

Councillors Quinney and Gifford thanked the Deputy Chief Executive (AJ) for a well-written, easy to understand report and emphasised that they could see a massive improvement from the previous month.

Councillor Wright was concerned about the "ambers" in Appendix 1 to the report and enquired what needed to be done in order for these to change to green. It was explained by the Deputy Chief Executive (AJ) that some of the "ambers" in Appendix 1 had already been resolved from when the report was written.

Resolved that the Finance & Audit Scrutiny Committee made the following comments to the Executive:

The recommendations in the report were noted and the Committee welcomed its improved format.

The Committee were also pleased to note that the next report will have an associated risk register, with greater analysis of the actions needed to make the 'ambers' green and of the risks associated with each amber staying unchanged.

The Committee also noted the actions completed in respect of revising the journal processes, as required and approved in principle by Grant Thornton, as well as the detailed operational safeguards embodied in it, which were outlined to Members. They will be seeking further assurance that the processes are working as designed, as part of their monitoring of the action plan.

119. Scrutiny of Service Area Performance – Cultural Services

The Committee received a report from Cultural Services bringing together the Cultural Services contract register, risk register and budget for the Culture Portfolio.

It had been requested by Members that the two registers for each Service Area be considered together, along with details of the budget and performance for the relevant service.

The latest version of the risk register was set out as Appendix A to the report. The scoring criteria for the risk register were subjective and were based on an assessment of the likelihood of something occurring, and the impact that might occur.

In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse was true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks were within the area shaded red, whilst the latter-described set of risks were within the area shaded green; the mid-range were in the area seen as yellow.

Cultural Services were responsible for a wide range of services which consequently led to a number of potential risks. There were 36 risks contained in the risk register.

There were five risks rated green, 29 rated amber and two rated red, in accordance with the Council's risk scoring matrix.

As with all the risks in the register, it was the controls and mitigations that were being undertaken to control the risks that were of importance. These reflected the tangible actions over which there was more control.

The latest version of the Cultural Services contract register was set out in Appendix B to the report. There were 20 live contracts listed.



Details of Cultural Services budgets were included as Appendix C to the report. The figures shown compared the net position for the main cost centres within Cultural Services at the end of period 9 (December) for the current year and the comparative position in 2017/18. Also shown was the final position at the end of 2017/18. Appendix C to the report also included comments on major variances when comparing the two years performance to the end of December.

The Head of Cultural Services and the Portfolio Holder for Culture introduced the report and answered questions from Members.

In answer to a question from Councillor Wright, it was explained that some of the risks would always be amber because they depended on external sources, such as funding from Bowls England.

Councillor Quinney was happy with the report and found the layout of Appendix C very helpful.

Resolved that the Culture Portfolio contract register, risk register and budget updates be noted.

120. **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 paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

121. **Executive Agenda (Confidential Items & Reports – Wednesday 6 March 2019)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Wednesday 6 March 2019.

Item 16 – Land Purchase at South Crest Farm in relation to the Relocation of Kenilworth School

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

(The meeting resumed in public session)

122. **Internal Audit Quarter 3 2018/19 Progress Report**

The Committee received a report from Finance advising on progress in achieving the Internal Audit Plan 2018/19, summarising the audit work completed in the third quarter and providing assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

The Audit and Risk Manager introduced the report and answered questions from Members.

The Committee welcomed the new Internal Auditor to the team.

Councillor Rhead, the Portfolio Holder for Development, advised Members that he had received a report from the Head of Development Services which addressed the issues identified in the internal audit report. This was circulated to Members during the meeting. The Audit and Risk Manager emphasised that the email circulated at the meeting did not take away the need for a formal update.

In answer to Councillor Quinney's concerns about the recommendations from the previous audits not having been implemented, the Head of Development Services advised Members that whilst some of the procedures had been updated, some were still to be completed.

Resolved that the report be noted.

123. Internal Audit Strategic Plan 2019/20 – 2021/22 and Internal Audit Charter 2019

The Committee received a report from Finance presenting the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019 for consideration and approval.

The Internal Audit Strategic 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 compilation of the Internal Audit Charter was a requirement of the Public Sector Internal Audit Standards.

The Audit and Risk Manager introduced the report and answered questions from Members.

Resolved that the Internal Audit Strategic Plan 2019/20 – 2021/22 and Internal Audit Charter 2019 be approved.

At 7.45pm, the Chairman adjourned the meeting for a comfort break. The meeting was reconvened at 7.53pm.

124. Executive Agenda (Non Confidential Items & Reports – Wednesday 6 March 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 6 March 2019.

Item 3 – Community Infrastructure Levy (CIL) Regulation 123 List for 2019/20

The Finance & Audit Scrutiny Committee supported the recommendations in report and welcome the government consultation outcome as set out in



paragraph 3.19 and noted that the next report may cover infrastructure delivery more widely i.e. IDP and S106 as well.

Item 5 – Commonwealth Games 2022

The Finance & Audit Scrutiny Committee supported the recommendations in the report and suggested, with agreement of the Portfolio Holder, that 2.8 be revised to refer to the Executive 'including these within the MTFS subject to Council approval'.

Item 9 – Shakespeare's England Future Funding

The Finance & Audit Scrutiny Committee noted the recommendations in the report. It strongly encouraged the ongoing dialogue between officers and Shakespeare's England to meet overall objectives and in particular to further promote this district more directly, including its attractions and especially its events programme.

Item 13 – Men's Cycle Tour of Britain 2019

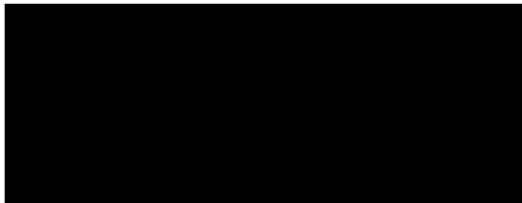
The Finance & Audit Scrutiny Committee supported the recommendations but requested that a stronger economic impact assessment be made, detailing the benefits from the event to the District as a whole.

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

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

Resolved that the report and its appendices be noted.

(The meeting ended at 9.11 pm)


Signature redacted CHAIRMAN
2 April 2019

