

**Questions on Agenda Items to be considered by the Finance & Audit Scrutiny
Committee
27 May 2020**

Item no.	4	Title	Minutes	Councillor	Wright
Question & Answer		<p>Question: Minutes (page 3 item 101) It states in the minutes that the committee asked that the "executive was comfortable" with the proposed funding for the climate directors' position from the climate emergency fund. My relocation was that it was stated that the funding for this role had been previously agreed and allocated accordingly and as of such should come from this allocation and not the climate emergency fund or new homes bonus. This should be amended.</p> <p>Answer: While technically this can be amended, these have been reported to the Executive and to Council, in February, as part of the budget setting process without question or clarification. Therefore, to correct them here would mean they become inconsistent with public record from those meetings. Equally from recollection the statement was agreed by the Committee at the time because it recognises the position may change as part of budget setting. From the minutes of the Executive I note that there was a response to this point at the Executive which was detailed in the report to Council on 26 February 2020.</p>			

Item no.	4	Title	Minutes	Councillor	Syson
Question & Answer		<p>Question: I notice in the minutes of 11 February 2020 paragraph 101 the wording "ring fenced climate emergency" which refers to the money set aside for this. It is not the climate emergency that is ring fenced but the money which was to have been raised by the Council tax increase. Should it be "ring fenced climate emergency fund" or equivalent</p> <p>Answer: While technically this can be amended, these have been reported to the Executive and to Council as part of the budget setting process without question or clarification. Therefore, to correct them here would mean they become inconsistent with public record from those meetings</p>			

Item no.	5	Title	Internal Audit Quarter 3 2019/20 Progress Report	Councillor	Nicholls
Question & Answer	<p>Question: The Health and Safety Compliance of Council Buildings – This was rated as Moderate but some of the findings, as reported, seem quite serious (e.g. no central inventory maintained of PAT-tested appliances; the number of properties for which the last cyclical testing was in the 1950s; issues with alarms at Oakley Wood) and it would be helpful to have an assessment of whether this was a “low” Moderated and in fact quite close to Limited.</p> <p>Answer: The fact that the Assets Compliance and Delivery Group had been set up to monitor these issues would have actually made it a ‘high end’ moderate (i.e. closer to Substantial than Limited). Apologies if that was not explained fully in the report. (Audit and Risk Manager)</p> <p>Question: Catering Concession – the Committee is due a report on the performance of the concession for the Glasshouse under Just Inspire and the financial and contractual position with that. My recollection is that was due for June of this year. How has Covid disrupted that expectation but, given that wedding trade will have been nil, the report seems all the more important. Can we be assured about when such a report will be forthcoming?</p> <p>In some reports the TID is end of March or April 2020. Have those dates been disrupted by Covid? And if so do completion dates need revising?</p> <p>Answer: June Report issue: I would advise that, as the majority Just Inspire’s staff are furloughed and the business is closed, there is going to be very little information for officers to report to the Committee in June other than what I can update via the below - until the national restrictions around hospitality and events change.</p> <p>I am, of course, happy to take a report to the Committee whenever Members think it is required. However, given the impact of COVID-19 upon the hospitality sector we still don’t know when event catering operations like Just Inspire’s will be allowed to re-open, but it looks like July at the earliest. I would therefore recommend a report goes in the next cycle after July - perhaps August?</p> <p>In the interim I can provide the following update:</p> <p>Update on the Catering and Events Concessions Contract As approved by Executive at the meeting on 3rd October 2019 Just Inspire were permitted to exit the catering and events operation at the Royal Pump Rooms in late 2019 in order to continue to operate the Restaurant in the Park. A variation to the Catering & Events Concessions Contract which legally allowed for Just Inspire to surrender the lease for the Royal Pump Rooms was completed on 29th January 2020.</p> <p>The Council’s Arts team became responsible for the management of events at the Royal Pump Rooms Assembly Hall from November 2019. An adjustment was made to the staffing establishment - adding the post of</p>				

'Events Coordinator' to the Arts team in order to better facilitate the bookings for these spaces, along with events spaces at Leamington Town Hall. This post was unsuccessfully recruited to in February 2020, and was then re-advertised in March. All events that were scheduled to take place in the Assembly Hall between March and September have now been postponed or cancelled due to the response to COVID-19. The recruitment of the Events Coordinator has therefore been paused until we can be confident of how and when public events will be viable to recommence with social distancing measures in place.

The opportunity to operate the Royal Pump Rooms Café was advertised in November 2019 and attracted a great deal of interest from local, independent catering operators. A tenant was successfully appointed in late December and heads of terms were negotiated throughout January and February with the aim to have the new operator in place by April 2020. Again, this process had to be paused in March as all hospitality businesses were required to close -and currently remain closed except for takeaway services. Fortunately, the company that was appointed was financially robust and has so far been able to survive the crisis. Officers continue to be in contact with the company and will work with them to re-open the Royal Pump Rooms café as soon as it is safe and viable to do so.

Since Just Inspire vacated the Royal Pump Rooms the business at the Restaurant In The Park had stabilised and improved, with increased bookings for future functions and events. The viability of the operation was reviewed during the January contract management meeting and it was obvious that the changes had resulted in a huge improvement. Just Inspire was progressing really well and both their order book and cash flow was reasonably robust. By the beginning of March officers had agreed an achievable payment plan in order for Just Inspire to repay the debts owed to the Council by the end of 2020. The first direct debit payment was due to be processed on 19th April 2020. However, on 26th March Just Inspire contacted the Council to inform us that, following government instruction, they were unable to run any events for the foreseeable future and therefore had no income stream.

For planning purposes Just Inspire have made the assumption that they will have no income before the end of July 2020. They are also anticipating that there will be a slow recovery in the hospitality sector after that. They have taken full advantage of the government's financial support package - furloughing all of their staff other than the director. They have received the £25,000 grant payment and will not pay business rates this year as they have been waived. With the reduction in overheads and the financial support available Just Inspire have been able to show that they will be able to survive until at least July 2020.

Just Inspire have been working with their clients to postpone events and are offering alternative dates during 2020/21.

Officers sought agreement from CMT and the Portfolio Holder for Culture that the Council should put payments from Just Inspire on hold until we have a clearer picture of how long the impact of coronavirus will last upon the hospitality industry. At the same time permission was also sought to extend the term of the contract, as allowed for in the agreement, for the maximum of a further two years in order to allow Just Inspire the time to recover and repay the outstanding debt. This is in line with the approach taken by the Council with other tenants in similar situations. In the meantime, officers continue to monitor the situation.

	<p>(Arts Manager, Cultural Services)</p> <p>TID issue: As they are only 'target dates', there is some level of flexibility, and officers may have been working on them anyway if they are able to work effectively from home. Cultural Services has also provided some additional information target implementation dates, above. (Audit and Risk Manager)</p>
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Item no.	5	Title	Internal Audit Quarter 3 2019/20 Progress Report	Councillor	Wright
Question & Answer		<p>Question: <u>Item 5 (page 14) Assignments completed.</u> What is the process /reporting format of the services contracted out and how and where is their performance reported?</p> <p>Answer: The process for carrying out audits and the reporting protocols are the same as for audits carried out by in-house staff. The work and reports of the contactors is quality-controlled by the Audit and Risk Manager assisted by the Principal Internal Auditor. The in-house team is assessed on "inputs" (time) and "outputs" (working papers and reports). Assessing the contractor on inputs is not relevant and contractors are assessed only on outputs. Contractors are given a budget and a specification and it is up to them how long they take to perform the audits, as long as they deliver the audits to a high quality. The budgets are realistic and the time allocated is "stretching" so it is assumed that in order to provide high-quality audits the contractors are not able to complete the audits in a significantly lower number of days than those on which the budgets are based. In addition, their performance is monitored by the completion of post audit questionnaires completed by auditees (managers) in the same way that it is for members of the in-house team. Councillors, with their strategic and overview role, are able to assess contractors' performance by virtue of viewing and scrutinising their reports. (Audit and Risk Manager)</p> <p><u>Section 4.2.3 Sundry Debtors</u> Can we have an update please with regards to the current position of sundry debtors given the current situation and what effect this has had in terms of risk analysis?</p> <p>Answer: Some analysis was undertaken on a month in 2019, and discussions held about adding questions to the Sundry debtor invoice request form in line with this, this will need a request to IT.</p> <p>There is not really a box on Total to tick/fill in for when goods or services were delivered so this may need to be recorded separately,</p> <p>At present it has been put on back burners due to the current situation. This will be reviewed when the Finance Admin Manager returns from leave with a view implementing a resolution.</p>			

Item no.	5	Title	Internal Audit Quarter 3 2019/20 Progress Report	Councillor	Syson
Question & Answer	<p>Question: I hadn't appreciated before recommendations involving controls assessed as low or medium risk are to be implemented within 9 months. (Shows, I fear, that I don't read all of your reports carefully enough.)</p> <p>For medium risk 9 months seems a long time. Is this your recommendation or the Committee's?</p> <p>Answer: There may be a misunderstanding here. Medium (and low) risk recommendations are followed up after 6-9 months, but we do not expect that they will have target dates of 9 months – some (most) will be quicker but others may be longer depending on what is involved in implementing the recommendation. They are not followed up for several months due to resource limitations within the Internal Audit Team. We do not have administrative resources to do this and following-up too speedily would not be an efficient use of limited internal audit resources. Checking that the recommendations have been implemented is the first stage in the next audit of any audit topic and the results of this are included as a section in the subsequent internal audit report. (Audit and Risk Manager)</p>				
	<p>Page 34: Health and Safety Compliance of Council Buildings</p> <p>Question: I note this only concerns 'operational' corporate properties and excludes housing.</p> <p>Answer: These aspects were covered in a separate audit of Gas & Electrical Safety Checks (reported in Quarter 2).</p> <p>Question: How often should cyclical ECIR testing be carried out? Does it depend on the property?</p> <p>Answer: For corporate operational buildings, each EICR certificate contains a recommendation for when it should next be carried out and this forms the basis of a forward programme.</p> <p>Page 43 Section 4 conditions.</p> <p>Question: I note that no recommendations were made in respect of this section, though the Council still has responsibilities to ensure that buildings leased to tenants are appropriately maintained. At the time of the audit no checks were being performed and had not been for a number of years. What is our risk? Are there many such buildings? I appreciate Building Surveyors are in short supply, but do you know if the recruitment process was successful and whether visits will be recommenced this year, if allowed by Government regulations?</p>				

	<p>Answer: For those properties that we lease to commercial tenants, each lease sets out the responsibility for appliance and equipment testing for each tenancy. As part of the Assets team redesign, a new post of Commercial Surveyor was created to address previous resource shortfalls and that post has recently been successfully recruited, initially on an agency basis and that same person has now been recruited permanently. Consequently, we have put in place a process to check with each individual lessee, compliance with lease conditions and this commenced towards the start of this year. These checks will include tenants responsibilities on ECIR testing to ensure compliance with current legislation as well as on other compliance matters and as part of those checks we require sight and retain copies of appropriate testing and other records.</p> <p>Page 55: Question: In an audit of Financial Systems Interfaces it was stated that Management should investigate the facility/feature of improved event logging with the third party supplier. Has this been addressed with our choice of the new FMS?</p> <p>Answer: All core functions with the new financial management solution are set up to automatically log page access and actions. This will provide an audit trail of the user, functions or pages accessed and action/changes made together with a time stamp. This covers imports and exports of data. The automatic logging cannot be temporarily or permanently disabled.</p> <p>In addition, the system will log security events. These include failed login attempts or attempts to import data which have not been virus checked.</p> <p>The event logs are accessed by the Council's System Administrator officer</p>
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Item no.	6	Title	Internal Audit Quarter 4 2019/20 Progress Report	Councillor	Nicholls
Question & Answer			<p>Question: I could not find the consultancy report on CCTV which replaced the planned audit of Crime and Disorder. Have I looked in the wrong place, are such reports not routinely shared with the Committee, or at least are there findings that are relevant to its role?</p> <p>Answer: A protocol has not yet been established with regard to the reporting of consultancy reports, especially those of an unplanned nature. This is touched upon in paragraph 10.1 of the report. In addition, in this instance, reporting the findings from the review would compromise security. (Audit and Risk Manager)</p> <p>Question A number of TIDs are again imminent or have dates that may have been disrupted by Covid – is there a need to revise any of them?</p>		

	<p>Answer: There will have been disruption to services as a result of Covid-19, including the ability to implement TIDs as originally anticipated. However, these will be for the respective Services areas to reflect and report back on as required under the established quarterly monitoring process. Details of these will be collated and shared with the Committee in due course. (SMT/Audit and Risk Manager)</p>
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Item no.	6	Title	Internal Audit Quarter 4 2019/20 Progress Report	Councillor	Wright
Question & Answer	<p>Question: <u>Item 6 Page 14</u> Accepting the performance report as is, can you provide an initial update in terms of performance and to what degree (and what plans) will the performance be affected because of the current issues.</p> <p>Answer: Performance for last year was largely, certainly not significantly, affected by the emergence of the Coronavirus pandemic. Undoubtedly the Audit Plan for the current year, 2020/21, will be affected by the Coronavirus pandemic. The implications of this, including a revised Audit Plan, will be reported to Committee in due course. (Audit and Risk Manager)</p>				

Item no.	6	Title	Internal Audit Quarter 4 2019/20 Progress Report	Councillor	Illingworth
Question & Answer	<p>Question: Should there be a report on Events Management which received only a Moderate assessment? No problem as I can presumably find it on the web.</p> <p>Answer: The Internal Audit report on Events Management is on the online agenda and on the Council's website. (Audit and Risk Manager)</p>				

Item no.	7	Title	Internal Audit Annual Report 2019/20	Councillor	Illingworth
Question & Answer	<p>Question: In paragraph 2.9 I think that it should state the year in the date to avoid ambiguity.</p> <p>Answer: I'm unable to find a paragraph 2.9 in the report. Could the Member provide some clarification, please? (Audit and Risk Manager)</p>				

Item no.	7	Title	Internal Audit Annual Report 2019/20	Councillor	Syson
Question & Answer	<p>Comment Relieved to note that you are able to confirm that internal audit is organisationally independent. Impressed that although only 15, just under half, of the audits were completed within the time allocation, the other 21 only resulted in an extra 7 days' work. Congratulations on the post audit questionnaires.</p>				

Item no.	8	Title	Annual Governance Statement 2019/20	Councillor	Nicholls
Question & Answer	<p>Question: Annual Governance Statement – the justification for not following the CIPFA statement with regard to the Head of Finance is important. For the uninformed reader, it is not clear to whom the Head of Assets reports (3.17). I suggest that we clarify that.</p> <p>Answer: I agree. I will revise the Statement accordingly. (Audit and Risk Manager)</p>				

Item no.	8	Title	Annual Governance Statement 2019/20	Councillor	Illingworth
Question & Answer	<p>Question: Within this Governance Statement the following terms occur: Corporate Management Team Leadership Team Senior Management Team</p> <p>I think it would be helpful to have some indication of the relationship between these teams and an indication of the level of membership and responsibility.</p> <p>Answer: I agree. I will revise the Statement accordingly. (Audit and Risk Manager)</p>				

Item no.	8	Title	Annual Governance Statement 2019/20	Councillor	J Dearing
Question & Answer	<p>Question: The experience of the present crisis has highlighted the general lack of <u>resilience</u> in governance to rare events: over-efficient structures, reliance on top-down structures and insufficient scenario planning have all militated against actions being as rapid, economic or as effective as they could have been. In respect of learning from the crisis (paragraphs 5 and 6), can post-Covid 19 reviews (para 5.4 and 6.3) include explicit reference to how WDC may increase the <u>resilience</u> of its structures and processes?</p> <p>Answer: We will consider that as part of the lessons learned exercise that it is recommended be undertaken. This issue is included in the action plan element of the Statement. Progress on achieving topics included in the action plan will be reported to the Committee in the usual way. (Audit and Risk Manager)</p>				

Item no.	9	Title	Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020	Councillor	Nicholls
Question & Answer	<p>Question: Internal Audit Strategic Plan – to what extent has this taken into account changing risks because of Covid? From my other activities I know that in the NHS the big risks that have emerged are cybersecurity and fraud during this period. It is for example surprising that cyber-security was last audited in 17/18 and is not an annual audit, albeit that different aspects may be examined annually (p.7). Bearing in mind the comment about changing risks, and the known risks that the Council faces as we move into recovery, is the allowance of 30 days for sundry advice and consultancy sufficient for this year?</p> <p>Answer: There will have been disruption to services as a result of Covid-19 which will impact on the Audit Plan. A revised Audit Plan will be presented to Committee in due course, reflecting the implications of reacting to the Coronavirus pandemic and the changed risk environment. (Audit and Risk Manager)</p> <p>With regard to cybersecurity and fraud, we don't feel it is an efficient use of the budget to review this area in its entirety annually. The important issue is that recommendations contained in the action plan are being addressed. (Audit and Risk Manager)</p> <p>With regard to the allowance of 30 days for sundry advice and consultancy sufficient for this year and whether it is sufficient, a revised Audit Plan will be presented to Committee in due course, reflecting the implications of reacting to the Coronavirus pandemic. (Audit and Risk Manager)</p>				

Item no.	9	Title	Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020	Councillor	Wright
Question & Answer		<p>Question: Can you confirm there has been a review of the Strategic Audit plan (or what is the plan) if there has what has changed in terms of risk. If it hasn't started yet or is incomplete <u>I would like to propose</u> a future agenda item to go through the areas (and only the areas) which have changed in terms of risk and to understand what mitigation is being put in place.</p> <p>Answer: There will have been disruption to services as a result of Covid-19 which will impact on the Audit Plan. A revised Audit Plan will be presented to Committee in due course, reflecting the implications of reacting to the Coronavirus pandemic and the changed risk environment. (Audit and Risk Manager)</p>			

Item no.	9	Title	Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020	Councillor	Syson
Question & Answer		<p>Comment: Page 4: areas of concern or previous requests for coverage from management and the Finance and Audit Committee, and page 10 Management of Contracts with 15 days allocated. I shall bring up with Jonathan the Pump Room Gardens contract which was the subject of a report to F&A last year, and I know is still an ongoing concern.</p>			

Item no.	10	Title	2019/20 Audit of Accounts	Councillor	Nicholls
Question & Answer		<p>Question: Audit of Accounts – it's very helpful to have the update as item 11, and we may want to take both together. I think that the whole question raised by PSAA and commented on by GT about the future of audit and its costs and what is in effect a failing market are significant risks. What actions are the Council taking to respond to this? What actions should the Committee be taking. Merely to note seems inadequate.</p> <p>Under AOB, can I suggest that we briefly revert to the deferred discussion about the performance, effectiveness, and future strategic focus of the Committee. I think we may want to signal that we will plan an informal discussion based on the email I, as then Chair, sent round, perhaps with some further thoughts if the Programme Advisory Board concept is approved. We could have such a discussion virtually and would perhaps also help to gel the membership for what one expects will be a busy late summer and autumn.</p> <p>I should finish by saying that the papers illustrate a significant amount of work for which I am sure we are all grateful and which lie at the heart of the Committee's work.</p>			

	<p>Answer: Fraud investigation still ongoing. This is currently with legal. We are still working with PSP in regards to Final Accounts and they have provided WDC with the necessary requested information from their financial statements. Key events and issues one for Grant Thornton to respond to. Timings have been under review, and before COVID-19 resulted in an extended closedown period being approved for 2019/20 accounts, there was scope for the 31 July deadline to have been extended to 30 September, with the additional 2 months being available solely to complete the audit. We have had no further indications on whether there will be any changes for 20/21.</p>
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Item no.	10	Title	2019/20 Audit of Accounts	Councillor	Illingworth
Question & Answer	<p>Comment It seems to me that this item is dealing with two quite separate matters: Firstly, the External Audit Plan which is specific to WDC which we are recommended to accept and should be monitoring. Secondly the medium term viability of the local government audit system which is a national problem. We must not let this detract from the first point.</p>				

Item no.	10	Title	2019/20 Audit of Accounts	Councillor	Syson
Question & Answer	<p>Question: Page 30: recent case of fraud noted – is this concluded yet? Page 32: Actual or potential litigation: Are we still with our learned friends over PSP? Page 35; Does the authority have sufficient staff in post..... I note the Management response but am concerned about some areas, particularly Neighbourhood Services. Page 37: key events or issues: Clearly written before the pandemic!! Pages 49 onwards. Clearly this is of real concern. Are CIPFA and Local Government organisations lobbying to restore the previous timings for the submission of audited accounts?</p> <p>Answer: Fraud Question: No, this has not been concluded yet and so it would be premature to say anything about this at the moment. (Audit and Risk Manager)</p>				

Item no.	11	Title	2019/20 Audit of Accounts - update	Councillor	Syson
Question & Answer	Question				
	I note with relief the new dates and the abandonment of IFRS 16. Page 7: will the estimates for asset valuations cause us real problems? Do the auditors have to be physically on site at some stage? I assume the answer is yes, but perhaps not.				
Answer					
We have been in regular contact with our RICS qualified valuers, Carter Jonas, to ensure the values used are reflective of the most up to date position.					
The auditors can do the whole audit remotely, but some tasks are easier to do on site, such as reviewing system processes and qualifying data sources. However, this can be done remotely via the use of shared screen functionality within our available video conferencing applications if necessary.					