

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 30 May 2018 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors Cain, Davies, Gifford, Mrs Hill, Illingworth, Mrs Knight, Margrave, Murphy, Noone and Quinney.

Also present: Councillors Butler, Coker and Whiting.

1. **Apologies and Substitutes**

- (a) Apologies for absence were received from Councillors Howe; and
- (b) Councillor Mrs Hill substituted for Councillor Wright.

2. Appointment of Chair

It was proposed by Councillor Gifford, duly second and

Resolved that Councillor Quinney be appointed as Chair of the Committee for the 2018/19 municipal year.

3. **Declarations of Interest**

Minute Number 11 – Confidential Executive Items

Councillor Gifford declared a Disclosable Pecuniary Interest and left the room whilst the item was discussed.

4. **Minutes**

The minutes of the meeting held on 4 April 2018 were taken as read and, subject to reference to Councillor Quinney being appointed as Chair for the meeting, were signed as a correct record.

5. **Internal Audit Quarter 4 2017/18 Progress Report**

The Committee considered a report from Finance that advised on progress in achieving the Internal Audit Plan for 2017/18, summarised the audit work completed in the fourth quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

All 38 of the planned audits for the year had been completed. One piece of work, a Consultancy Review with an allocation of five days for providing assistance on the General Data Protection Regulations (GDPR) preparations, was no longer required as, instead, a full review of the Council's GDPR preparations was undertaken by our ICT audit contractor, TIAA. The released allocation was used to complete the mini-audit of the Council's arrangements for assigning securities to contracts.

Each audit report provided an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands were:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

Twenty assignments were completed in the fourth quarter of 2017/18.

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

Four audits completed in the quarter were awarded a lower than substantial assurance opinion. Moderate assurance opinions were given in respect of the Banking Arrangements audit, the Flood Risk Management audit and the PARIS Income Management Application audit. A low level of assurance was provided in respect of the Information Governance: General Data Protection Regulations audit. In line with established practice the reports relating to these audits were set out as Appendix 4 for specific scrutiny.

The Audit & Risk Manager informed the Committee, at the meeting, that a follow up review had been undertaken on the respect of the Information Governance: General Data Protection Regulations audit and this area of work now had a moderate assurance.

Resolved that the report be noted and its contents be accepted.

6. Internal Audit Annual Report 2017/18

The Committee considered a report from Finance that set out the Internal Audit Annual Report which was a summary of the internal work undertaken during 2017/18 and provided a conclusion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The Internal Audit Annual report also formed part of the evidence for the Annual Governance Statement.

Resolved that the Annual Report of Internal Audit for the year ended 31 March 2018 be approved.

7. **Annual Governance Statement 2016/17 Action Plan: Review of Progress**

The Committee considered a report from Finance that reported the progress that had been made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement for 2016/17. The appendix accompanying the report set out the progress in addressing the Significant Governance Issues.

Resolved that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2016/17, be approved.

8. **Annual Governance Statement 2017/18**

The Committee considered a report from Finance that set out the Council's Annual Governance Statement for 2017/18, and described 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 approved by Council.

Regulation 6 of the Accounts and Audit (England) Regulations 2015 required that "A relevant authority must, each financial year...prepare (and approve) an annual governance statement".

The Head of Finance reported that the External Auditors had apologised for not being able to attend the meeting. They had raised a concern that the Annual Governance Statement for 2017/18 should make reference to the low assurance offered to the GDPR audit. This was being discussed because of the work that had taken place subsequently, including the adoption of relevant policies.

Resolved that the Annual Governance Statement for 2017/18 for Warwick District Council as set out at Appendix A to the report, be approved.

9. **Finance – Service Area Update**

The Committee considered a report from Finance that set out the Risk Register, Contract Register, Budget, and service initiatives for the Service Area.

Following several years of reviewing Service Contract and Risk Registers, it had been requested that the two registers for each Service Area should be considered together, along with details of the budget and performance for the relevant service. Finance was the first Service Area to present a report in this format.

The latest version of the Finance Risk Register was set out as Appendix A to the report. The register was last reviewed by the Finance Management Team and Portfolio Holder in April 2018.

Finance was responsible for a wide range of services. There were 33 risks contained in the risk register. These had been categorised as generic or service specific risks. However, as a support service it would be noted that many of the risks were effectively council-wide, reflecting how the function could be primarily managed by Finance on behalf of the rest of the Council.

There was one risk that was shown in the "red", 7. Loss / shortage of staff (leading to loss of skills, knowledge & capacity). This risk was currently shown as high due to the turnover within the Accountancy Team over the last year following a retirement in 2017 and another forthcoming in 2018. Whilst the retirements had been actively planned for, the situation had been exacerbated by the shortage of suitable candidates. The Register showed the measures being taken to manage this risk, with a view to reducing it.

Most of the risks were shown as "amber" 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 Finance Contract Register was set out in Appendix B to the report, there were 21 live contracts listed.

Details of Finance budgets were included as Appendix C to the report. This was based on the relevant pages of the Base Budget report that was considered by Council in November 2017. With the Council's accounts virtually closed, the opportunity had been taken to include the 2017/18 Actual Expenditure alongside the Budget for the year.

The figures for Treasury Management and Investment had not been considered in detail here. However, these would be considered in more detail as part of the Treasury Management Annual Report to Finance and Audit Scrutiny Committee in July.

Details of the performance of Finance against the Service Plan were reported to Executive in April within the Service Area Plans for 2018/19 & Annual Performance Reports for 2017/18. The 2017/18 performance report had been updated to reflect the full year and was set out at Appendix D to the report.

In response to questions from the Committee, the Portfolio Holder for Finance and Head of Finance explained that:

1. In respect of recruitment, there had been challenges with two key officers retiring recently, one post of which remained vacant but recruitment was underway. The accountancy team was also looking to recruit an apprentice;
2. In respect of GDPR, the actions had changed because since the Policy was reviewed, policies had been updated and training had been deployed to all staff;
3. With regard to the new deadline for closing the accounts, there was a change in process to be considered as well as the loss of experienced members of staff;

4. In respect of the contract with CPI, there work was in relation to identifying properties that were not rated for business but should be. CPI received half the recovered business rates from the non registered properties they identified;
5. The increased spend with Civica was due to the one off procurement for the new eform and risked based verification tool;
6. There were two contracts with Grant Thornton because one covered the current financial year work under the new procurement framework and the other covered the previous year;
7. The procurement Service Level Agreement was now in the deed store.

Resolved that the report be noted.

10. **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.

11. **Executive Agenda (Confidential Items & Reports – Thursday 31 May 2018)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Thursday 31 May 2018.

Item 14 - Europa Way - Update

The Finance & Audit Scrutiny Committee noted the report and agreed to hold an extra meeting on 11 June 2018 for F&A to consider one aspect of this report.

12. **Executive Agenda (Non-Confidential Items & Reports –Thursday 31 May 2018)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Thursday 31 May 2018.

Item 5 - A Creative Hub for Channel 4 in Leamington Spa

The Committee noted that Leamington had not been shortlisted for the Creative hub and therefore recommendations 2.1 to 2.3 were withdrawn.

The Committee were pleased to hear that feedback on the bid had been sought. The Committee also welcomed that officers would share more details of the business plan for using the money requested in the report in due course, including how the "Talent pipeline shortage" may be addressed.

Item 6 - Heritage Lottery Bid: Warwick District Council Working in partnership with the Lord Leycester Hospital

The Committee noted that the project was now valued at £3million with a request for circa £2 million from the Heritage Lottery Fund (HLF). However, the contribution of £100k from WDC was still required because we were partly responsible for the maintenance of the wall.

Item 7 - Funding for Kenilworth School's Relocation to South Crest Farm

The Committee supported the recommendations in the report.

Item 9 - Catering & Events Concessions Contract – Royal Pump Rooms and Jephson Gardens Glasshouse

The Committee noted that the current estimates of return to the Council under the proposal were lower than actual and budgeted, but accepted that this would be revisited during the next stage of detailed negotiations if the approach was approved. There was recognition that there may be risks with this contract that needed to be treated with caution. These risks included managing the quality of the provision, the challenges of a three way agreement, ensuring that the contract performed well for both the council and the community in terms of being inclusive and welcoming for all, as well as providing a financial return. It was recognised however that success in delivering such services depended on the character and experience of the business leader and that local teams often performed more strongly.

The Committee also noted that the proposed approach conformed with procurement policy, as it was specified in the recently awarded overarching contract.

Item 10 - Relocation of Kenilworth Wardens

The Committee supported the recommendations in report, especially the potential for investment in affordable housing.

Item 11 - MHCLG Rough Sleepers Initiative 2018-20

The Committee noted that the Council was lobbying Government for ongoing funding for this area of work to mitigate the risks of costs having to be met from the HRA, especially after 2020 where there was greater uncertainty on funding. However, they fully supported the measures being proposed to be implemented by September. They also noted that by 2020 the situation could have changed, both because of the nature of the work and because of the Government's policy of giving additional responsibility and funding to WCC for sheltered and supported accommodation, in collaboration with WDC. The Committee welcomed the report with great enthusiasm.

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

The report was not submitted for consideration.

14. **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.

15. **Confidential Minutes**

The confidential minutes of the meeting held on 4 April 2018 were taken as read and subject to reference to Councillor Quinney being appointed as Chair for the meeting, were signed as a correct record.

(The meeting ended at 9.08 pm)