

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 2 December 2014 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Barrott (Chair): Councillors Mrs Bunker, Dhillon, Gifford, MacKay, Mrs Mellor, Rhead, Mrs Syson, Weed and Williams.

**Also Present:** Councillors Cross and Vincett (Portfolio Holders).

Apologies for absence were received from Councillor Pratt.

## 80. **Substitutes**

Councillor Gifford substituted for Councillor Pittarello and Councillor Weed substituted for Councillor Mrs Knight.

## 81. **Declarations of Interest**

### Finance & Audit agenda – Item 4 – Annual Audit Letter

Councillors Dhillon and Mrs Mellor declared interests because they were Trustees of Racing Club Warwick, who were mentioned in the report.

Councillor Gifford declared an interest as a Warwickshire County Councillor and the report dealt with the Council's shared legal service.

### Executive agenda - Item 12A – Rural/Urban Capital Improvement Scheme

Councillor Barrott declared a pecuniary interest as the Chairman of a community charity who had also provided funding towards the Barford, Sherbourne & Wasperton Joint Parish Council application, and left the room whilst the item was discussed.

Councillor Rhead declared a pecuniary interest because he was a trustee of the community charity who had also provided funding towards the Barford, Sherbourne & Wasperton Joint Parish Council application, was a Member of Barford Parish Council and left the room whilst the item was discussed.

## 82. **Minutes**

The minutes of the meeting held on 4 November 2014 were taken as read, with the amendment to Councillor Heath's name in Minute 72, and signed by the Chair as a correct record.

Under matters arising from the minutes, Councillor Rhead asked why the request for notes from the SMT away day had not been forthcoming.

Following robust discussions, the Deputy Chief Executive and Monitoring Officer advised that notes would be provided from the Senior Officers' meeting but these would be based on the themes discussed at the meeting. He did not feel it was appropriate for Senior Officers to have to itemise individual issues and these would be dealt with through the action plan provided.

83. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 3 December 2014**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 December 2014.

Agenda Item 6 – Code of Procurement Practice

The Committee supported the recommendations in the report and were pleased that the approach would no longer be a devolved process but enforced the need for managers work together with the Procurement team.

Agenda Item 9 – Tachbrook Country Park

The Committee supported the recommendations in the report.

Members sought clarity on the S106 contributions lasting for 13 years and noted that this period would begin when the transfer of land was completed, which was upon occupation of the 400<sup>th</sup> dwelling. Therefore, Members raised concerns about the cost of maintaining the land after the 13 years, and the risk of this falling on the public purse. In addition, Members queried who would be responsible for maintaining the land prior to the Council taking ownership.

Some Members were uncertain that the Section 106 monies would be enough to last 13 years but noted that officers were comfortable that Red Kite had produced accurate valuations.

84. **Annual Audit Letter**

The Committee received a report from Finance which commented on the Council's Annual Audit Letter that was attached as an appendix to the report.

The Annual Audit Letter was a letter to all members of the Council which needed to be given due consideration by appropriate committees.

The report brought together details that had been included in the Audit Findings report, presented to Members in September alongside the Statement of Accounts, with further information on progress on the audit of the grant claims and returns. Four objections to the accounts were received and the auditors were still undertaking their investigations. The audit could not be formally concluded until this work had been undertaken. The Auditors would report the findings of this work to members in due course.

The report explained that no significant weaknesses in the Council's internal control arrangements had been identified and actions were being taken by officers to address the key issues and recommendations.

The Annual Audit Letter also included details of the 2013/14 Value For Money conclusion and it had been concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The audit of all the grant and subsidy claims for 2013/14 was nearly complete and a Grant Claims report would be issued by Grant Thornton later in the year.

Mr Gregory from Grant Thornton, introduced the report and explained the circumstances surrounding the objections on the accounts. He advised that officers were still dealing with the objections and following questions from Members explained that there was a cost for investigating these. He suggested that the public should be reminded that submitting objections was not without cost.

He was asked if there was a best estimate of when the investigations would be finished and informed members that it was hoped to be completed by the end of March 2015.

Mr Gregory was also asked what powers he had to delve into the issue of 'missing' documents and he advised that there was a technical process to be followed including the serving of a notice, resulting in fine or prosecution.

The Committee were reminded that a grants report would be coming forward in January or February 2015 and

**Resolved** that the Annual Audit letter be noted.

85. **Executive Agenda (Non Confidential Items & Reports) –  
Wednesday 3 December 2014**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 December 2014.

Agenda Item 4 – Housing Revenue Accounts (HRA) Budgets latest 2014/15 and base budgets 2015-2016

The Committee supported the recommendations in the report. Members did raise concerns regarding the issue of 'Right to Buy' not appearing in the Risks section of the report. It was felt that the potential loss of Council owned properties was still a risk, however small.

Agenda Item 3 – General Fund Base Budgets Latest 2014/15 and original 2015-2016

The Committee supported the recommendations in the report but expressed concern about recommendation 2.6. Members were disappointed that the NI contributions had not been fully quantified when the figures were originally agreed.

Members also raised concerns about recommendation 2.8 relating to the replacement public address system at the Pump Rooms. The Committee noted the reasons why this was such a last minute request but felt that more information could be provided on what the system is used for and how frequently. The query was raised as to whether an entire new system was necessary or had options for hiring the equipment been explored?

**86. Treasury Management**

The Committee received a report from Finance which detailed the Council's Treasury management performance for the period 1 April 2014 to 30 September 2014.

The Council's 2014/15 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

Treasury Management had a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital. The Council was reliant upon interest received to help fund the services it provided. The current estimate for investment interest in 2014/15 was summarized in a table in paragraph 5.1 of the report.

The risks involved in investing the Council's funds were effectively managed by the Treasury Management function and further details on this were contained in section 6 of the report.

The report also explained the interest rate environment, money market investments and funds and call accounts. All of these sections were detailed with the relevant performance data for the period specified along with an overall picture of the investment return.

Various Counterparty Credit Ratings were also explained in section 11 of the report followed by benchmarking information, long term borrowing activity and the relevant Prudential Indicators within which the Council must operate.

Officers from Finance attended the meeting and delivered the report, highlighting the relevant changes for Members. The Committee thanked Mr Wyton for his detailed report and were pleased with the current status of Treasury Management.

**Resolved** that the contents of the report be noted.

87. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following two items, by reason of the likely disclosure of exempt information within paragraphs 1, 3 and 7 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

88. **Executive Agenda (Confidential Items & Reports) – Wednesday 3 September 2014**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 3 December 2014.

Item 15 – Options for HR & Payroll Functions

The Committee fully supported recommendations 2.2 and 2.3 in the report and the amended recommendation 2.1 in the addendum.

89. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 3 December 2014**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 3 December 2014.

Agenda Item 5 – Review of Affordable Rent Policy

The Committee supported the recommendations in the report.

90. **Internal Audit**

The Committee received a report from Finance which advised on progress in achieving the Internal Audit Plan 2014/15, summarised the audit work completed in the second quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

As an Audit Committee, Members had to provide independent assurance of the associated control environment and provide independent scrutiny of the Authority's financial and non-financial performance. To help fulfil these responsibilities, audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.

At the start of each year Members approved the Audit Plan setting out the audit assignments to be undertaken. An analysis of the progress made so far in completing the Audit Plan for 2014/15 was set out as Appendix 2.

On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other

management controls and six audits were completed in the second quarter of 2014/15. Hyperlinks to the reports issued were included in the covering report.

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.

Two of the audits completed during the quarter were awarded a lower than substantial assurance opinion. These audits were Shared Legal Services and Corporate Properties Repair & Maintenance. The reports relating to those audits were set out as Appendix 4 and the state of implementation of low and medium risk recommendations made in the second quarter of 2013/14 was set out as Appendix 5 to this report. There were no high risk recommendations issued in the fourth quarter of 2013/14.

The Audit and Risk Manager delivered the report and answered a number of questions from Members. He explained that one of the issues highlighted during the audit of the Shared Legal Services, was that Council officers were unaware of the protocols to follow in securing Legal advice which had resulted in an overspend of the budgets.

Members discussed the report and the responses to the recommendations from the Audit team.

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

91. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 3 December 2014**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 3 December 2014.

Agenda Item 12A – Rural/Urban Capital Improvement Scheme Application

The Committee supported the recommendations in the report and noted the additional information contained in the addendum.

92. **Comments from the Executive**

A report from Civic and Committee Services summarised the Executive's responses to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 5 November 2014.

**Resolved** that the contents of the report be noted.

93. **Review of the Work Programme & Forward Plan**

The Committee considered its work programme for 2014/15 and the latest published version of the Forward Plan.

**Resolved** that

- (1) the work programme for 2014/2015 be noted;  
and
- (2) at present, there were no forthcoming Executive decisions which Members wished to have an input into before the Executive make their decision.

(The meeting ended at 8.45 pm)