

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 31 August 2016 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair), Councillors; Ashford, Barrott, Mrs Falp, Gifford, Harrington, Illingworth, Rhead and Thompson.

Also present: Councillors; Phillips and Whiting.

37. **Apologies and Substitutes**

- (a) Apologies for absence were received from Councillors Cain and Mann; and
- (b) There were no substitutes.

38. **Declarations of Interest**

There were no declarations of interest.

39. **Minutes**

The minutes of the meeting held on 26 July 2016 were agreed and signed by the Chairman as a correct record, subject to the amendment of minute number 36. It was agreed that minute 36 should state that a report should focus simply on the facts of the Council Tax losses for different bodies and whether there was any recompense to the Council.

40. **Internal Audit Quarter 1 2016/17 Progress Report**

The Committee considered a report from Finance which advised on the progress being made in implementing the Internal Audit Plan 2016/17, summarised the audit work completed in the first quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

The report stated that guidance on the role and responsibilities of audit committees was available from a number of sources. That which related to audit committees' relationship with internal audit, in particular the type and content of reports they should receive from internal audit, was summarised in Appendix 1 to the report.

To help fulfil these responsibilities, audit committees were advised to 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 which set out the audit assignments to be undertaken. An analysis of the progress in completing the Audit Plan for 2015/16 was set out at Appendix 2 to the report.

The report highlighted that a slow start had been made with respect to achieving the current year's plan. This was mainly the result of resources being diverted to investigation work, but it was hoped that with careful planning there could be a degree of "catch-up" over the coming months. Progress would be monitored and reported back to Finance & Audit Scrutiny Committee.

Three audits were completed in the first quarter of 2016/17 and copies of all the reports issued during this quarter were available for viewing. None of the audits completed were awarded a lower than substantial assurance opinion.

The action plans accompanying all Internal Audit reports issued in the first quarter were set out at Appendix 3 to the report and detailed the recommendations arising from the audits, together with the management responses, including target implementation dates.

This report was for information only and therefore the consideration of alternative options was not relevant.

The Audit & Risk Manager, Mr Barr, outlined the report and highlighted that an update on the Electrical Repair and Maintenance contract had been completed at the end of July and passed to CMT at the beginning of August. He acknowledged that the department needed to catch up on the three audits they were currently behind on. In response to a question from Councillor Illingworth, Mr Barr stated that he was confident that the team would catch up and had the sufficient level of resources required to do so. However, he assured Members that he would report back to them if the team encountered any difficulties.

In response to questions from the Committee, Mr Barr also assured Members that the Council re-tendered for indemnity insurance on a cyclical basis, in liaison with brokers, and believed the price to be competitive. He explained that there was a level of confidentiality with respect to the indemnity cover used by other Local Authorities and officers had to balance the cost of investigating the lowest price with simply paying the initial sum.

Members thanked the Audit and Risk Manager for a concise report; and

Resolved that the report be noted.

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

The Committee considered a report from Finance which reviewed the progress being made in addressing the 'Significant Governance Issues' facing the Council, as set out in the Annual Governance Statement 2015/16. The appendix accompanying the report detailed the progress in addressing these Significant Governance Issues.

The production of an Annual Governance Statement was a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).

The Annual Governance Statement described governance arrangements relating to the Council's corporate priorities and key strategic projects that were reflected in Fit for the Future. The Fit for the Future programme was also based on an agreed set of values, amongst which were the ones of openness and honesty. This was integral to the consideration of governance in an organisation; governance issues needed to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.

CIPFA/SOLACE issued a framework and guidance on delivering good governance in local government. The framework was built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework were detailed in section 8.2 of the report.

The Audit and Risk Manager introduced the report and highlighted the two Significant Governance Issues detailed in the appendix to the report; the Call In Process and the Service Area Crisis.

The appendix showed the relevant responsible officer for each issue and the position of progress as of the end of June 2016. As both issues were new, neither had any information relating to its previous position in the last quarter.

Members raised concerns that the Call In document was not easy to navigate and understood that officers wanted to address the process to make it simpler for Members and officers to implement. However, it was noted that this was an important democratic tool and should be utilised appropriately.

Resolved that the report be noted.

42. **Risk Management Annual Report 2015/16**

The Committee considered a report from Finance which updated the Risk Management Strategy, attached as Appendix A to the report, for implementing and embedding risk management throughout the organisation. The report also contained details of an external review that had been performed during the year. The review provided an independent assessment of the Council's risk management arrangements, leading to the identification of areas for improvement that provided the basis of an action plan.

In its management paper, "Worth the risk: improving risk management in local government", the Audit Commission set out clearly the responsibilities of members and officers. Although the Audit Commission had since been abolished, its guidance was still relevant and Members were responsible for overseeing the organisation's risk management arrangements.

Within the strategy was an action plan that detailed the tasks necessary to advance risk management. The action plan included areas for improvement identified from a recent appraisal of the Council's

arrangements undertaken by a consultant from Zurich Insurance. Full details were provided at Annexe 1 to Appendix A of the report.

The report also explained a number of other activities undertaken during the year to assist with embedding risk management within the Council. These were broken down into Corporate Activities and Service-Led Activities and were attached as Appendix B to the report.

Finally, Appendix C to the report gave a review of progress made in completing the Risk Management Strategic Action Plan and explained the action, the timescale given to complete it, the responsible officer and the progress made to date.

The Audit and Risk Manager, Mr Barr, presented the report and assured Members that the Council was making progress with Risk Management, especially following the completion of the external review. He advised that Heads of Service had been making improvements and following a recent challenge on Licensing Fees, had been able to easily demonstrate the Service Area position because it had been flagged as a potential risk early on.

Councillor Barrott queried why some of the completion dates in the audit plan had passed. In response, Mr Barr advised that two of them had been actioned and one was being carried forward to September.

Councillor Rhead noted that five items had been delayed due to workload being redirected to cover other priorities. In response to a question about re-prioritisation, Mr Barr agreed that the audits programmed in equated to a fair amount of work and there were some big tasks on the horizon next year. However, he felt that some of the work would be closed off quite quickly but this would depend on the ability of officers to deliver the action plan.

In response to a query regarding the risks surrounding S106 agreements, Mr Barr advised that this was on the Development Services Risk Register and Members would receive a future audit report appraising arrangements.

The Chairman queried the process for identifying emerging risks and was advised that the Corporate Management Team (CMT) would identify these and as soon as they became 'live' risks, they would be submitted to the Corporate Management Risk Register, which the Senior Management Team (SMT) managed. This risk register was reported to the Executive quarterly and would be managed alongside other corporate risks. Mr Barr reminded Members that it was still his intention to make all of these documents accessible via the Council's intranet and was confident that this would be achieved.

Members highlighted that many Councillors who were operating from mobile devices were now unable to access the intranet.

The committee thanked Mr Barr for his report and for responding to Councillors' questions.

Resolved that

- (1) the report and its contents are noted, in particular that which sets out Members' responsibilities for risk management;
- (2) the Council's Risk Management Strategy, attached as Appendix A to the report, is affirmed;
- (3) Members are satisfied with the progress being made in embedding risk management within the Council, and note the activities undertaken during the year that help to embed risk management, as per Appendix B to the report, and the progress made to date in completing the current Risk Management Strategic Action Plan as per Appendix C to the report; and
- (4) the report be forwarded to Executive for its consideration on 28 September 2016.

43. **Review of Housing & Property Services Contracts Register**

The Committee considered a report from Housing and Property Services which set out the process for the review by Finance & Audit Scrutiny Committee of the Housing & Property Services Contracts Register, and highlighted any issues which needed to be addressed in the next 12 months.

The report provided Members with the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council.

The latest version of the register was attached as Appendix 1 to the report and explained that one of the issues being tackled was Future Procurement. There were two priority procurement areas for the department; one was the re-provision of repairs and maintenance to municipal homes and the other was the formalisation and clarification of the contracts in place to deliver services to homeless and other households in need of accommodation.

The Head of Housing and Property Services, Mr Thompson, and the Housing and Property Services Portfolio Holder, Councillor Phillips, addressed the Committee, highlighted that there were a significant number of contracts and assured Members that they were slowly beginning to get on top of the inherited issues.

Mr Thompson provided the example of the contract covering the Maintenance of Council Houses. The department had now moved to the Schedule of Rates style of works and were on track to make £550k to £600k worth of savings.

In addition, Mr Thompson reminded Members that the contract register was a live document and advised that since the introduction of the Repairs

Inspectors, the response from customers had been very positive. Officers had also launched a satisfaction survey via text messaging and this documented that (their) customers had been satisfied with 76% of the repair work carried out in July.

Following questions from Members, Mr Thompson and Councillor Phillips gave these responses:

- Contracts HP91 and HP92 had previously been funded by the County Council. This funding had ceased and the service would not be replaced directly but covered by floating support;
- they agreed that some of the review dates should be altered because some of the time periods had already started;
- officers wanted to give themselves sufficient time to complete works and many of the contract ends would coincide with the results of the Stock Condition Survey, so it was important not to rush into decisions;
- there was a temporary accommodation review taking place which could impact on a number of the contracts, including HP93;
- there were 13 contracts ending on 01/03/2018, all of which were large Housing Maintenance & Repairs contracts. Officers may choose to combine these into one contract in the future as they were all interrelated but also linked into the Stock Condition Survey taking place;
- the Council wide mobile phone contract had ended up in their service area and a better location for this to sit was being sought;
- it was hoped that the satisfaction text messaging survey would help build up data to hold contractors to account, especially in instances involving kitchen and bathroom replacements and repairs;
- with regard to the cleaning contract, officers did not set the hours that the contractor needed to provide, only the outcomes required from the contract. Officers had made it clear to the contractors that it was important that set outcomes were achieved and that it was the quality of the work that was being measured; and
- it would be suggested to officers that the customer feedback via text messaging could be rolled out with regards to the cleaning contract.

Members thanked Mr Thompson and Councillor Phillips for attending and answering their questions.

Resolved that the report be noted.

44. **Comments from the Executive**

The Committee considered a report from Democratic Services which detailed the responses from the Executive to the comments the Committee made regarding the reports submitted to the Executive on 26 July 2016.

Resolved that the report be noted.

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

The Committee considered its Work Programme for 2016 and the Forward Plan.

The Senior Committee Services Officer advised the Committee that the Infrastructure Delivery Plan (IDP) report and the update on the further audit work on the Electrical Repair and Maintenance contract had been moved to the 27 September 2016 meeting at the agreement of the Chairman.

However, since that time it had been agreed that the IDP report could be given as a verbal report at the 20 September committee meeting.

Resolved that the revised work programme be noted.

(The meeting ended at 7.43 pm)