

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 4 April 2017 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair), Councillors; Barrott, Mrs Bunker, Cain, Davies, Mrs Evetts, Gifford, Illingworth, Noone and Thompson.

Also present: Councillors Cross, Mobbs and Phillips.

126. Apologies and Substitutes

- (a) Apologies for absence were received from Councillor Mrs Falp; and
- (b) Councillor Mrs Bunker substituted for Councillor Harrington, Councillor Davies for Councillor Rhead, and Councillor Mrs Evetts for Councillor Ashford.

127. Declarations of Interest

There were no declarations of interest.

128. Minutes

The minutes of the meeting held on 7 March 2017 were not available and would be considered at the next meeting.

129. External Audit Reports

The Committee received a report from Finance and Grant Thornton, the Council's external auditors, who had recently submitted the following two items for the Committee's consideration:-

- Informing the audit risk assessment for Warwick District Council.
- The Audit Plan for Warwick District Council year ended 31 March 2017.

The Audit Plan for the 2016/17 audit included details of the approach to be followed in carrying out the audit, and also some of the key risks that would be considered.

In relation to "Informing the audit risk assessment", in planning and performing the audit of the financial statements, the auditors needed to understand how the Finance & Audit Scrutiny Committee, as "those charged with governance", supported by the Council's officers, met its responsibilities in the following areas:-

- Fraud;
- laws and regulations;
- going concern;
- accounting for estimates; and
- related party transactions.

The accompanying external auditor's report summarised the respective responsibilities of the Finance & Audit Scrutiny Committee, officers and external audit in each of these areas, as set out by International Standards on Auditing (UK and Ireland) (ISAs).

The Committee was requested to consider the documents from the external auditors and make any relevant observations.

Representatives from Grant Thornton, Mrs Lillington and Mr Patterson, attended the meeting, outlined the report and answered questions from Members.

Mr Patterson signposted Members to the value for money statement in the report and explained that the significant risks had been detailed on pages 6 and 7 of the report. He also advised that interim works were underway to bring the accounts forward to the end of July next year. Mrs Lillington explained that if the Council was to achieve the revised deadline, more interim work was needed and this was summarised on pages 38 to 40 of the report.

The Portfolio Holder for Finance, Councillor Whiting, addressed Members and reminded them that the Council was battling not only regulatory changes but also changes within the financial environment. He explained that was a tendency to publish more information to minimise risks and Members needed to be mindful, and realistic, of the public demand. Whilst he was in favour of condensing the accounts, the Council was faced with the challenge of finding a suitable resource to facilitate this.

Following a query from Members, officers assured the Committee that they were confident these deadlines would be met.

The Chairman thanked Mrs Lillington and Mr Patterson for attending and for the assistance that Grant Thornton had provided over the past twelve months.

Resolved that the report be noted.

130. **Procurement Guidance for Members**

The Committee received a briefing note from Legal Services which detailed the main principles of the tendering process.

The briefing note explained the key aspects of the procurement process and how the Council followed this process in procuring contracts that were the subject of EU regulation. The note advised that for contracts that were not covered by EU regulation, officers still had to follow the Council's Code of Procurement Practice.

Following a question from Councillor Quinney, officers confirmed that the 30 day time period was when the procurement process could be challenged. Officers also advised that following the 10 day "standstill period", all matters could be disclosed into the public domain, however, until a contract was signed, there would still be an issue about sharing information. Further details relating to both of these issues were provided on page 5 of the briefing note.

Resolved that the briefing note be accepted.

131. **Procurement Strategy 2017-2019**

The Committee received a report from Finance which presented proposed amendments to the Council's Procurement Strategy 2017 to 2019.

The Council spent approximately £35m each year with third parties. This spend was controlled through a variety of procurement approaches from bespoke procurement to the implementation and use of Framework arrangements that allowed a quick route to market.

All procurement exercises undertaken were made in compliance with the Public Contracts Regulations 2015 and covered at a local level through the Council's Code of Procurement Practice.

To support the implementation and delivery of the strategy, an action plan had been developed which was a working document and was attached at Appendix One to the report.

Appendix Two to the report detailed a summary of recommendations for District Councils from the National Procurement Strategy for Local Government 2014. The summary was categorised under a number of different themes including 'Making Savings', 'Supporting Local Economies', 'Leadership' and 'Modernisation'.

The Procurement Manager outlined the report and explained that the strategy had been altered to meet the governance agenda and to bring it in line with other local authorities.

He advised that the Action Plan set out the targets required and how this was envisaged to be embedded within the organisation over the next two years.

The Head of Finance highlighted that the recommendation should refer to the Finance and Audit Scrutiny Committee agreeing the strategy and not Executive.

Members were pleased that officers continued to roll out procurement training. They were mindful that it was difficult to recognise a conflict of interest when using local businesses but stressed that officers should not lose sight of this. In addition, they were pleased to see a link back to the Social Value Act and found the action plan, attached as appendix one to the report, a useful tool.

The Procurement Manager highlighted the importance of promoting the smaller business and the work taking place to encourage them to register with the Council.

Having considered the report and having highlighted some grammatical errors, the Committee

Recommended that the Council's new Procurement Strategy 2017 to 2019 be adopted.

132. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 5 April 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 5 April 2017.

Item 4 – Code of Procurement Practice

The Finance & Audit Scrutiny Committee supported the recommendation with the following amendments:

- A reference to Social Value should be made in the Stage Closure Questions on page 21.
- The second bullet point relating to paragraph 5.2 of the report should be amended to read "showing all procurement opportunities **each of which has** a total value above £25,000".
- Paragraph 14.5.1, page 24/25, be amended to include wording to allow the tenderer to be given the choice to confirm **or amend** the tender figure.
- The risks detailed in the report at section 6, should contain reference to the potential impact on residents should a contract not be fulfilled.
- Section 5.5 of the Code, Requests for Information, should contain a warning to officers of the consequences of not supplying information when asked.
- In addition, officers should consider using an Information Release schedule to manage that risk.

133. **Cultural Services Risk Register**

The Committee received a report from Cultural Services which set out the Cultural Services Risk Register for review by Members and asked them to make observations on it as appropriate.

The Cultural Services Risk Register was part of the Council's corporate risk management framework. The Register reflected the Council's corporate priorities and key strategic projects contained in Fit for the Future.

Risk registers were in place for all significant risks facing service areas in the provision of their services. In addition to service risk registers for all service areas, there was the Significant Business Risk Register that contained the organisation's corporate and strategic risks (the latest version of this being presented to the January Executive meeting).

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. As a consequence of this, Executive agreed in January 2012 that:

- (a) Portfolio Holders should review their respective Service Risk Registers quarterly with their service area managers;
- (b) Portfolio Holder Statements should include each service's top three risks;

- (c) Executive should note the process for the review by Finance & Audit Scrutiny Committee of service risk registers; and
- (d) The relevant Portfolio Holders should attend the Finance & Audit Scrutiny Committee meetings at which their respective service risk registers were reviewed.

The latest version of the Cultural Services Risk Register was set out at Appendix 1, along with a summary of risks attached at Appendix 2 to the report.

The report advised that the register had last been reviewed in February 2017 and an overview of the risk management process was detailed at 9.2 of the report. Due to the wide range of diverse services that the service area was responsible for, the register included generic risks at the top of the document followed by risks specific to areas of service.

There were 40 risks contained in the Risk Register; 19 were service-specific risks and 21 were generic risks with six risks in the "red zone". Details of these risks were described in section 9.3.4 of the report and there had been no new "red" risks since the last review.

Three major risks had been identified at the time of writing the report. These were detailed in full at section 9.3.4 of the report but, in summary, referred to Plant Failure, Failure of Golf contract, Flood Threat at Royal Pump Rooms and Leaks into the Royal Pump Rooms from roof.

The Head of Cultural Services introduced the report and explained those risks that had moved from one zone to another. She provided an update on the current situation with the Golf Contract advising that meetings had taken place recently with the company and the Deputy Chief Executive (AJ). Following a request to move into confidential session to discuss the issue further, Members were advised that officers did not feel they had sufficient information with them to be able to facilitate a robust discussion.

Members noted that a number of the risks related to plant failure at the leisure centres and accepted that some of these would significantly reduce once recent refurbishments had been completed.

Clarification was also provided on the potential for flooding at the Royal Pump Rooms and Members noted that measures were being put in place to mitigate this.

The Committee thanked the Head of Cultural Services for attending and for the clarity of the report and

Resolved that the Cultural Services Risk Register is noted.

134. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 5 April 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 5 April 2017.

Item 10A – Significant Business Risk Register

The Committee supported the recommendations in the report.

135. **Internal Audit – Strategic Plan**

The Committee received a report from Finance which presented the Internal Audit Strategic Plan 2017/18 – 2019/20 and the Internal Audit Charter 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 Internal Audit Strategic Plan 2017/18 to 2019/20 comprising the planned reviews over this period was set out as the first appendix to the report. The audits set out in the first year of the Plan were carried out throughout the year with timings (start dates) agreed with managers on individual audits, usually at the beginning of the year.

The Internal Audit Charter for delivering this assurance was also included and was set out as Appendix 2 to the report.

The report provided details on how the plan was formulated and listed the many factors that had been taken into consideration. In addition, officers advised that in recent years the Council had strengthened the risk-based approach by placing greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage.

An early draft of the Strategic Plan was issued to CMT and Service Area Managers for their views and was further shared across teams with a request for feedback. Following receipt of comments, a revised plan would be presented to SMT (Senior Management Team). A copy of the draft plan, following its presentation and discussion at SMT was attached to the report.

The Audit and Risk Manager outlined the report and answered a number of clarifying questions from Members. These included the issue relating to audits of certain areas of Housing and Property Services which had been raised at previous meetings. The Audit and Risk Manager confirmed that the audit on Energy Management and Complaint Maintenance had been carried forward to year one of the plan.

In addition, he advised that the Internal Audit Strategic Plan was produced before the restructure of Housing and Property Services had been completed, therefore, some of the responsibilities referred to in the document may change.

Following a question from Councillor Thompson regarding areas of highlighted text on page 13 of the report, the Audit and Risk Manager

stated that he would investigate its meaning and email Members with the reason.

Resolved that the Internal Audit Strategic Plan 2017/18 – 2019/20 and the Internal Audit Charter be approved.

136. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 5 April 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 5 April 2017.

Item 6 – Housing Revenue Account Business Plan Review

The Committee supported the recommendations in the report.

Item 9 – Corporate Property Repair and Planned Maintenance Programme 2017/18

The Committee supported the recommendations in the report.

Item 7 – Service Area Plans for 2017/18 & Annual Performance Reports for 2016/17

The Committee supported recommendation 2.3 whilst noting that paragraph 3.34 stated “a budget of up to £60k over two years” which was not reflected in the recommendation.

137. **End of Term Report**

The Committee received a report from Democratic Services which detailed the work the Finance & Audit Committee had undertaken during the 2016/17 municipal year. A breakdown of the different items scrutinised by the Committee was attached as an appendix to the report.

This report was due to be submitted to be Council in due course and would be updated to include the work covered at the 4 April Finance and Audit meeting.

Under Article 6 of the Council’s constitution, Overview and Scrutiny Committees were required to provide an end of term report to the Council on work they had undertaken during the year.

The report advised that the Committee had considered 23 Audit items, 13 Scrutiny items and 41 Executive items. On those Executive items, Members had made three formal recommendations.

In addition, the report advised that the Committee had scrutinised four service area contract registers and three risk registers.

Resolved that the report be noted.

138. **Comments from the Executive**

The Committee considered a report from Democratic Services which summarised the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 8 March 2017.

Resolved that the report be noted.

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

The Committee considered its Work Programme for 2016/2017 and the Forward Plan.

The Chairman queried why reports on Enforcement and Recruitment and Retention were not yet showing on the Forward Plan.

Officers clarified that the Forward Plan only detailed key decisions to be taken by Executive and not other committees at present. In addition, he was advised that it was the responsibility of the report author or Head of Service to request an addition to the Forward Plan.

Resolved that the report be noted.

The Chairman thanked all Members for their work and commitment over the past year.

(The meeting ended at 8.38 pm)