

**Minutes of the meeting of the Audit and Standards Committee
held on 4th June 2015**

Present

Members:

Councillor John Beaumont
Councillor Bill Gifford
Councillor John Horner
Councillor Chris Saint
Councillor Bob Stevens
Councillor June Tandy

Independent Members:

John Bridgeman CBE (Chair)
Bob Meacham OBE

Officers:

John Betts, Head of Finance
Sarah Duxbury, Head of Law and Governance
Ben Patel-Sadler, Democratic Services Officer
Virginia Rennie, Group Accountant
Garry Rollason, Chief Risk and Assurance Manager

External Representatives:

John Gregory, Grant Thornton - Auditors

Members of the public:

Three

1. General

(1) Apologies

Apologies for absence were received from:

David Carter, Strategic Director Resources Group

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

No disclosures of pecuniary or non-pecuniary interests were made.

(3) Minutes of the meeting of the Audit and Standards Committee held on 12th February 2015

Members noted that the Better Care Fund would be analysed by the External Auditors during their year-end work. It would be known in the summer of 2015 if the flow of finance between the county and district councils had been effectively managed. Any findings would be reported in the External Auditors' Value for Money (VFM) conclusion.

Members asked if there was a register which recorded instances where the Council's Whistleblowing Policy had been used. Sarah Duxbury (Head of Law and Governance) informed the Committee that the Internal Audit Department would hold a record of financial issues which had been reported. Members asked for it to be placed on record that they had raised the matter of the Council's Whistleblowing Policy at the February 2015 meeting of the Committee.

Members noted that the Worcestershire County Council Internal Audit service had now been transferred to Warwickshire. The Committee requested that an update be provided to them in nine months' time which would highlight any savings that had been made by creating the joint Internal Audit Service.

It was agreed that the minutes be signed by the Chair as a true and accurate record of the meeting.

2. Reports Containing Confidential or Exempt Information

Councillor Stevens proposed (seconded by Councillor John Horner) and it was resolved that members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

3. **Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 12th February 2015**
4. **Internal Audit Report 1 January 2015 – 31 March 2015**

REPORTS TO BE CONSIDERED IN PUBLIC

5. **Internal Audit Annual Report 2014/15**

Garry Rollason (Chief Risk and Assurance Manager) introduced the report which summarised the results of the internal audit work completed during 2014/15 and which gave an overall opinion of the Authority's control environment.

Members had found the graphics used in the report helpful when interpreting the data provided in the report.

The Committee noted that the outcomes of audits carried out by the internal audit team were increasingly positive, but Garry Rollason explained that different topics were audited each year. The budgetary pressures facing the Authority made it imperative for the internal audit team to work efficiently and effectively and to look at as many areas of Council business as possible.

Garry Rollason informed Members that there was a log to record instances of when the Council's fraud hotline was called. In the past year there had been around ten calls made to the hotline. The Committee requested that the number of these calls be confirmed to them.

In relation to Appendix A of the report, Members noted that the opinion on the level of assurance provided by controls with regards to Honoraria payments was 'moderate'. Gary Rollason informed the Committee that five of the six recommendations made by internal audit had been implemented. Members noted that all of the recommendations made by internal audit in relation to County Fleet Maintenance had been implemented.

Members wished to place on record their congratulations to the Council for being in a strong position – the Authority's control environment provided substantial assurance that the significant risks facing the Authority were being addressed and managed effectively. The Committee believed that addressing any identified issues at an early stage was resulting in effective controls being put into place, avoiding significant issues arising.

The Audit and Standards Committee noted the results of the internal audit work completed during 2014/2015.

6. Annual Governance Statement 2014/15

Sarah Duxbury (Head of Law and Governance) introduced the report and informed the Committee that it was a statutory requirement for the Authority to publish an Annual Governance Statement (AGS). The report contained the results of the review of internal control and the draft AGS for the County Council.

Members noted that an assurance gathering process had been conducted by a panel, the membership of which was outlined at 2.1 of the report. The Panel scrutinised the strategic risk register prepared by senior managers and approved by Corporate Board. Additionally, Heads of Service had completed assurance statements which confirmed that they had complied with the risk management framework throughout the year for the identification and management of risks within their respective services.

The Committee noted that the total school financial deficits for the county currently stood at a few hundred thousand pounds. John Betts (Head of Finance) informed Members that for Authority maintained schools a licenced deficit could be operated. This was an agreement between the school and the local authority which enabled the school to effectively borrow to cover unforeseen expenditure - staff absence, the construction of new classrooms, etc. An agreed recovery plan also formed part of this agreement in order that the additional sum borrowed could be returned to the Authority over a set period of time.

Members were informed by John Betts that where a school deficit occurred, the Authority worked with the Headteacher and the governing body to recover the deficit. Members noted that the Authority monitored the financial position of maintained schools. It was also the responsibility of each school's governing body to monitor their schools' financial position and to take appropriate action as necessary. If this mechanism failed, then the Authority had the power to remove delegated authority from the school, although this was avoided wherever possible – the Authority sought to work with the school to rectify any deficits.

The Committee expressed a view that it was crucial for schools to manage their budgets effectively. Overspends were discouraged and excessive surpluses should be avoided – Members believed that all of a schools' budget should be used to give each child the best possible education.

Members noted that Sarah Duxbury was responsible for supporting the governance arrangements for the proposed Warwickshire Multi-Agency

Safeguarding Hub (MASH). It was hoped that the MASH would be operational by Christmas 2015.

The Committee asked that the wording of the sections on the Case File Audit Tool and Fire and Rescue should be updated to reflect any actions post April 2015.

Members noted that some of the wording contained in the AGS would be looked at again by officers now that the Queen's speech had been read. This essentially resulted in the AGS being categorised as a post, rather than a pre-election document.

The Committee expressed a view that the proposed formation of Combined Authorities would be complicated due to the number of partners involved in the process.

Members discussed the risks outlined in the AGS and raised specific concerns on:

- 1.) The increasing demand for school places in the county.
- 2.) The distribution of Section 106 funding.

Sarah Duxbury assured Members that the wording contained in the draft AGS would be looked at and amended if necessary before its submission to full Council.

The Audit and Standards Committee noted the results of the review of internal control and the content of the draft AGS for the County Council.

7. Assurance Strategy 2015/16

Garry Rollason (Chief Risk and Assurance Manager) introduced the report which outlined the proposed audit work to be completed during 2015/16.

Members noted that the Committee considered an audit plan on an annual basis. Garry Rollason informed Members that it was best practice to review the Audit Charter every year and this year's changes were required to reflect new Accounts and Audit Regulations.

Garry Rollason explained to the Committee that although Warwickshire and Worcestershire now had a shared Audit service, both organisations would retain their own audit committees. Members were informed that the partnership presented opportunities to achieve efficiency savings.

Members noted that if the internal audit service were to receive a cut in their funding then it would have an impact on the number of audits that

could take place. However, the same strategic objective would remain whatever levels of funding were provided to the department – the aim would be to provide assurance that risks to the organisation were identified and managed appropriately.

Garry Rollason informed Members that he worked throughout the year with Heads of Service to determine which areas of Council business would be considered by the internal audit department – it was a requirement of professional standards that the Audit Committee endorse the Audit Charter.

The Audit and Standards Committee approved the proposed assurance strategy and Audit Charter.

8. Accounting for Local Authority Maintained Schools

Virginia Rennie (Strategic Finance Manager) introduced the report which outlined the new accounting requirements for local authority maintained schools.

Members noted that as part of the new CIPFA accounting requirements, local authorities were now required to treat all maintained schools as if they were part of the local authority. This required a change in accounting policy to include the assets of voluntary aided, voluntary controlled and foundation schools as the assets of County Council in our statement of accounts.

Virginia Rennie explained to the Committee that this judgement had been reached because although the Council did not own voluntary aided, voluntary controlled and foundation schools, they were viewed as assets which contributed to the delivery of the Council's aims.

The Committee noted that the assets of 87 schools would now be included in the Council's statement of accounts for the first time.– Academies and free schools were not included..

John Gregory (Grant Thornton – Auditors) informed the Committee that this was the most significant change to the Council's accounts this year.

The inclusion of the voluntary aided, voluntary controlled and foundation schools assets in the statement of accounts would result in an addition of around £300 million to the Council's asset base. Members noted that this did not mean the Council having £300 million of extra resource available, it was just a technical adjustment to meet the revised CIPFA guidelines.

The Audit and Standards Committee agreed the accounting policy in relation to school assets and noted the amendments to the

presentation of the statement of accounts that resulted from the change in accounting policy.

ADDITIONAL ITEM: Audit Plan 2014/15

John Betts (Head of Finance) introduced the report which considered the External Auditors' plan for the audit of the Pension Fund for the financial year 2014/15.

Members noted that the fieldwork on the Pension Fund undertaken by the External Auditors would begin during summer 2015. Local Pension Boards (chaired by an independent person) would be formed shortly, with their remit being to scrutinise the administrative decisions that were being made in relation to the Council's pension fund

John Gregory (Grant Thornton – Auditors) informed the Committee that the External Auditors treated the audit of the pension fund as a separate audit. There had been no concerns raised by the External Auditors at this stage. Any weaknesses in member data were identified during the year end audit of the pension fund.

Members noted that the Pension Fund investment Sub-Committee analysed the Warwickshire pension fund yield on the investments which had been made. At the present time, work was being undertaken nationally to ensure that all pension fund investments were transparent. The Committee was informed by John Betts that the Warwickshire pension fund was well managed – the fund was managed in an active rather than a passive manner to achieve the best possible returns on investments.

Members noted that the cost of administering the Warwickshire pension fund was reasonable – the management fee was less than half that of similar funds in the private sector.

John Gregory explained to the Committee that there remained work to be done to ensure that the Warwickshire pension fund remained compliant. If it was not compliant for any reason, then the Audit and Standards Committee would be made aware

The Audit and Standards Committee noted the report and were informed that an update on the pension fund governance arrangements would be provided at the September meeting.

9. Work Programme and Future Meeting Dates

The Audit and Standards Committee noted the Work Programme and future meeting dates.

10. Any Other Business

John Betts (Head of Finance) informed the Committee that Local Authority Trading Companies enabled the Council to offer traded services on a commercial basis. The Council was currently assessing whether or not there were any advantages of setting up a Local Authority Trading Company.

John Gregory (Grant Thornton – Auditors) informed Members that the objection received in relation to the 2013/14 accounts had now been dismissed. A letter to the complainant had been sent which outlined the reasons for their objection not being upheld. The audit of the 2013/14 accounts would shortly be closed.

The Committee rose at 11.50am

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Chair