

**Minutes of the meeting of the Audit and Standards Committee
held on 12th February 2015**

Present

Members:

Councillor Sara Doughty
Councillor Bill Gifford
Councillor John Horner
Councillor Mary Webb
Councillor Chris Saint

Independent Members:

John Bridgeman CBE (Chair)

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
Andrew Reid, Grant Thornton - Auditors

1. General

(1) Apologies

Apologies for absence were received from:

David Carter, Strategic Director Resources Group
Bob Meacham OBE
Councillor Bob Stevens

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

Councillor Saint declared a non-pecuniary interest, the nature of which being that Warwickshire County Council were responsible for providing the internal audit service for Stratford-on-Avon

District Council. This declaration was made in relation to agenda item 7.

(3) Minutes of the meeting of the Audit and Standards Committee held on 6th November 2014

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

2. Financial Resilience of Local Authorities (Verbal Update)

The Committee received a verbal update provided by John Gregory (Grant Thornton – Auditors) on the ‘Rising to the Challenge – Financial Resilience in Local Government 2013/14’ report which had been published in late 2014.

The Chair of the Audit Committee, John Bridgeman CBE had specifically requested that the Committee be provided with this verbal update from the Council’s External Auditors.

Following the delivery of the verbal update, the following points were noted by the Committee:

1. The ‘Rising to the Challenge’ report had been produced in collaboration with audit partners from across England and Wales – the data contained within the report had been drawn from around 130 local authorities.
2. On average, local authorities spending had reduced by 28% up to 2014/15. It was forecasted that local authorities would face a further 10% decrease in their central government funding during the year 2015/16. In contrast to local authority spending, the NHS spend had increased by 4%.
3. Restrictions in Council Tax rises, less than expected income from fees and charges, reduced welfare funding and the future of the ‘new homes bonus’ were all contributory factors to the financial pressures being faced by local authorities.
4. Many local authorities continued to be financially resilient. The impact of the financial cuts that had been forecasted two to three years ago had not been as severe as expected, although they still remained a threat to the future of local authorities in their current format and structure.
5. Heading into the future, challenges would mount for local authorities, although many authorities were already transforming the way in which

they operated, which meant that the majority were likely to overcome future challenges.

6. District councils had delivered significant savings via conducting their business in a different manner - because district councils were smaller organisations, they could adapt to new ways of working more quickly. Single tier authorities and county councils faced a different challenge. This was partly due to the inspection regimes facing single tier and county councils and the nature of the services they provided (education, social care, etc).

7. Unitary authorities were not comparable with district councils due to the sheer difference in size and types of services delivered between the organisations.

8. The Midlands and North England were generally seen as higher risk areas when compared with their Southern counterparts. A North/South divide was still present, although this could be partly explained due to the higher number of metropolitan authorities in the North of England.

9. There had been a significant improvement nationally in strategic financial planning, although it remained important for financial plans to be responsive to risks. Some authorities were still focusing too much on efficiency savings without taking into account how services would be delivered after financial cuts were made.

10. Some local authorities were pleading hardship to central government. This did not sit well, as central government could see that the reserves of some of these authorities were growing. There remained a growing uncertainty around the future of the NHS and how local authorities would deal with the huge increase in demand around adult social care services.

11. The 'Rising to the Challenge' report had not been used formally by the Council's finance team during the budget setting process. However, the External Auditors would be reviewing the Council's budget setting process and would update the Committee on their findings at a future meeting.

The Chair of the Committee believed that the Council was in a position where it could deal effectively with current stresses, would be able to deal with any future crisis and that at the present time it could operate effectively, despite the pressures on the Council's resources and workforce.

Members expressed the view that the verbal update had provided them with a flavour of the national picture in relation to local authorities. It provided some level of assurance to Warwickshire County Council, with the External Auditors' opinion being that overall the Council was in a good position to deal with any future challenges.

The Committee believed that overall, local authorities had generally coped well with the financial challenges they had been faced with.

Resolved:

That the Audit and Standards Committee noted the verbal update provided by the External Auditors

3. External Auditors Report – Audit and Standards Committee Update

Andrew Reid (Grant Thornton – Auditors) introduced the report and informed the Committee that the External Auditors progress in delivering their responsibilities was on track and no issues or concerns had been raised throughout the course of the audit work.

Members noted the revised policy in relation to accounting for schools would be presented at the June 2015 meeting of the Committee. This was a challenging area of work, but the Committee was assured that the work was progressing as planned.

Members were informed of a significant challenge facing the authority and auditors in relation to the tightening of the closure of the accounts timetable for the 2017/18 accounts. Over the coming months, the Council's finance team would be planning how they would meet this deadline. Progress in this area would be reported back to the Audit and Standards Committee at a future date.

Resolved:

The Audit and Standards Committee agreed to note the update report and the Grant Certification Letter.

4. External Auditors Report – 2014/15 Warwickshire County Council Audit Plan

Andrew Reid (Grant Thornton – Auditors) introduced the report and informed the Committee that an unqualified audit opinion had been given in relation to the 2014/15 Warwickshire County Council Audit Plan and Teachers pension return.

Members were informed by John Betts that Warwickshire County Council had no legal liabilities in relation to the teacher's pension scheme. The responsibility of the Council was to ensure that all pension contributions made by teachers employed by the organisation

were transferred to the teacher's pension scheme. The External Auditors had signed off the amount transferred by the Council to the teacher's pension fund as being correct.

Potential risks identified by the External Auditors included the work around schools accounting and the financial pressures being placed upon Adult Social Care in Warwickshire.

Members expressed the view that they would like to closely monitor the Better Care Fund to ensure that the flow of finance between the county and district councils was effectively managed. The External Auditors would be considering whether the Better Care Fund was a risk in the context of their Value for Money (VfM) conclusion. Further work would be carried out if required.

John Betts informed the Committee that the Health and Wellbeing Board (HWBB) had to approve the distribution of the Better Care Fund. The HWBB was working well in monitoring the Better Care Fund.

Members queried what was meant by 'walkthrough testing'. The External Auditors explained that this was the terminology used by auditors when conducting testing to ensure that financial systems were operating in the correct manner.

The External Auditors explained to the Committee that any adverse or unexpected findings affecting the audit would be shared with the Council on a timely basis. The External Auditors were unaware of any significant issues at this time.

With regard to the Council's whistleblowing policy, the External Auditors informed members that they would inform the Council if they had any concerns about the process, for example, if large numbers of Council staff were contacting them to raise issues.

Sarah Duxbury, Head of Law and Governance, informed the Committee that there were named individuals within each business group who could be approached if staff felt they could not raise their concerns directly with a line manager. Warwickshire County Council encouraged an open culture and there were several options available to staff if they needed to raise specific concerns. Sarah Duxbury referred to the annual corporate governance week 'Do the Right Thing' which had been used to raise awareness of the whistleblowing policy as well as the role of the nominated corporate governance champions for each Group. The outcome of exit interviews could also be a useful tool in this context to understand clearly why an individual had chosen to leave the organisation.

Resolved:

The Audit and Standards Committee agreed to note the Warwickshire County Council 2014/15 Audit Plan from the External Auditors.

5. External Auditors Report – Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2014/15

The External Auditors introduced the report and informed the Committee that the audit fee for 2014/15 was the same figure as for the previous year (2013/14).

Members noted that there was a good level of cooperation in place between the Council and the External Auditors.

Resolved:

That the Audit and Standards Committee agreed to note the Annual Fee Letter from the External Auditors for 2014/15, for both the County Council and the Warwickshire Pension Fund.

6. Adult Social Care – Update on Case File Audits

Mike Wood, Service Manager, Service Development and Assurance (Adults) introduced the report.

The Audit Committee expressed the view that it had held long standing concerns around this area of work. Members had previously requested the methodology around case file audits, what findings the audits had turned up and any examples of good practice.

Mike Wood informed members of the three objectives of Case File Audits which were outlined in paragraph 1.1 of the report. The Committee noted that the electronic Integrated Case File tool 'Survey Monkey' was being used at the present time, although it was not being widely used by teams. An estimated 99 Case File Audits were completed between January and December 2014. Because a single audit could take up to two hours to complete, some team leaders working in hospital and mental health teams did not have the capacity to complete the Case File Audits due to staffing levels and work pressures.

The Survey Monkey tool had been revised so that it was compliant with the Care Act. It was hoped that by using the revised tool, time would be saved, information would be easier to obtain and audits would be more robust to ensure a consistent approach.

Members were informed that the overall responsibility for the completion of Case File Audits lay with Heads of Service. The single Survey Monkey tool would start to forge links between all those involved in the Case File Audit process. A Head of Service could initiate a review of the Case File Audit process if he/she felt it was necessary to do so.

Mike Wood explained to the Committee that the revised Survey Monkey tool was due to be implemented in Adult Social Care from April 2015. Staff training on how to use the new tool had begun and the revised tool had been developed and tested in conjunction with operations managers. The tool would be much easier for staff to use and a report on its progress would be brought back to the Audit and Standards Committee in six months' time.

A Head of Service could initiate a review of the Case File Audit process if he/she felt it was necessary to do so.

The Committee raised the issue of collaborative working between Council officers and NHS staff. Members felt it imperative that effective data sharing protocols were in place to effectively manage case files between partner organisations. Mike Wood would provide a future update to the Committee on how partner organisations were sharing data.

Members questioned if management provided practitioners with guidance following a Case File Audit. In response, Mike Wood advised the new tool would be able to identify themes covering the entire spectrum of Adult Social Care issues. He added that the new tool would identify how case files were graded in terms of their risks and importance.

The Committee was reassured that the new tool would cover issues of safeguarding – this would ensure that after completing an audit, it could be determined if an adult was safe. This feature had been absent from the previous tool.

The Chair thanked Mike Wood for attending the meeting and for informing members around the new tool and how it should work in practice. The Committee would be provided with an update on this area of work at a future meeting.

Resolved:

That the Audit and Standards Committee agreed to note the report and requested an update for a future meeting.

7. Proposal to Create a Shared Audit Service with Worcestershire County Council

Garry Rollason, Chief Risk and Assurance Manager introduced the report and explained to the Committee that work was ongoing around the business case, potential costs and associated risks in relation to a proposal to create a shared internal audit service with Worcestershire County Council.

Garry Rollason informed members that a detailed report on the potential shared audit service would be submitted to full Council in March 2015. This verbal update was to ensure members were aware of the proposal and to inform members of the current progress on the business case to support the proposal.

The investigations into the potential shared audit service were rigorous and robust. The business case was being developed and significant work had been undertaken between the two councils to identify resource implications and agree how any risks would be managed under the new arrangements. Further work was required before officers were able to make a recommendation on the proposal to members.

If the proposal went ahead, staff would be based at County Hall, Worcester in addition to the two existing sites (Warwick and Stratford). The combined workforce would be employed by Warwickshire County Council but would be responsible for conducting internal audit work for both Warwickshire and Worcestershire County Councils and other clients.

The Committee highlighted a number of issues in relation to the potential risks involved in the process including how exactly the shared internal audit function would operate in practice and how any salary discrepancies between staff currently working for Warwickshire and Worcestershire would be addressed. However, members believed there were a number of potential advantages of a shared audit service, including:

1. Additional staff resource which would provide greater resilience and flexibility; and
2. Additional generation of income resulting from more audit work being undertaken; and
3. The additional skills and expertise available to all clients gained from employing a larger team.

John Betts informed members that Worcestershire County Council now outsourced a number of its services. Due process would be followed and a suitable business case produced which would identify any

potential risks associated with the proposed creation of a shared audit service and how any such risks would be mitigated or shared.

The Committee expressed the view that it was positive that Worcestershire County Council had approached Warwickshire with a view to undertaking their internal audit work. It was a good reflection on the work undertaken and produced by the Warwickshire County Council internal audit service.

Resolved:

That the Audit and Standards Committee noted the proposal to transfer the Worcestershire County Council Internal audit service to Warwickshire and requested that a Briefing Note be provided to the Committee outlining the principles underpinning the business case for a shared internal audit service.

8. Work Programme and Future Meeting Dates

The Committee noted the Work Programme and future meeting dates of the Committee.

9. Any Other Business

None

10. Reports Containing Confidential or Exempt Information

Councillor Horner proposed (seconded by Councillor Bill Gifford) 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.

The Committee rose at 12.10pm

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Chair