

**Minutes of the meeting of the Audit and Standards Committee
held on 9th September 2015**

Present

Members:

Councillor John Beaumont
Councillor Bill Gifford
Councillor John Horner
Councillor Peter Morson (substituting for Councillor June Tandy)
Councillor Bob Stevens

Independent Members:

John Bridgeman CBE (Chair)

Officers:

John Betts, Head of Finance
David Carter, Strategic Director Resources Group
Sarah Duxbury, Head of Law and Governance
Ben Patel-Sadler, Democratic Services Officer
Virginia Rennie, Strategic Finance Manager (Corporate Finance and Advice)
Garry Rollason, Chief Risk and Assurance Manager

External Representatives:

John Gregory, Grant Thornton - Auditors
Helen Lillington, Grant Thornton - Auditors
Andrew Reid, Grant Thornton – Auditors

Members of the public:

None

Observers:

Councillor Matt Western

1. General

(1) Apologies

Apologies for absence were received from:

Bob Meacham OBE, Councillor Chris Saint and Councillor June Tandy (Councillor Peter Morson substituting)

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

Councillor Gifford declared a non-pecuniary interest; the nature of the interest being that he was a District Councillor.

Councillor Morson declared a non-pecuniary interest; the nature of the interest being that he was a Borough Councillor.

(3) Minutes of the meeting of the Audit and Standards Committee held on 4th June 2015

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 Horner proposed (seconded by Councillor Stevens) 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 4th June 2015

4. Internal Audit Progress Report

REPORTS TO BE CONSIDERED IN PUBLIC

5. External Auditors Annual Governance Report 2014/15

John Gregory (Grant Thornton – Auditors) introduced the report and explained to the Committee that the decision of the External Auditors was to give an unqualified opinion on the audit of the County Council's financial statements. Members noted that the biggest issue had related to accounting for schools – John Gregory assured the Committee that this area had been dealt with adequately.

Andrew Reid (Grant Thornton – Auditors) explained to the Committee that this was a positive report. The External Auditors were satisfied that the Council had adequate financial plans in place, that the work around accounting for schools had been completed and that the Council had valued its assets (including property) correctly.

Members noted that no adjustments to the draft financial statements were identified and no non-trivial unadjusted misstatements were identified during the audit process.

Andrew Reid informed the Committee that an adjustment was made to opening balances in the 2014/15 asset register and so had been corrected in 2014/15. The overall Value for Money (VFM) conclusion was that the External Auditors were satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

John Betts (Head of Finance) explained to members that many local authorities were now operating as self-financing bodies, providing over half of their budgets with funds not provided by central government grants. John Betts believed that the level of funding provided by central government grants would decline into the future.

Members expressed a view that although the One Organisation Plan (OOP) was being used effectively to make the required amount of savings (£92 million by 2018), there would still be significant cuts required to achieve this target. John Gregory (Grant Thornton – Auditors) explained to members that the External Auditors' VFM conclusion was based on the Council's robust financial plans being in place at that particular time that an audit was conducted. The External Auditors reviewed the progress being made against the OOP on an annual basis, with advice being given to Council as and when any concerns are raised. The External Auditors looked at the success which had been achieved by the Council to date in relation to its

savings targets and how likely it would be looking into the future, that the savings target would be achieved. Only after taking all of this into consideration did the External Auditors reach their overall conclusions which were outlined in the report.

John Betts acknowledged that it would become increasingly difficult to ensure that the overall £92 million savings target was met. However, strict financial discipline was in place at the Council which would help to ensure that the appropriate savings were achieved. John Gregory (Grant Thornton – Auditors) informed the Committee that the Council was well placed to achieve its savings targets.

Members expressed concern that cuts to some services would result in the Council being unable to fulfil its statutory obligations to the public. John Betts assured the Committee that the financial plans put in place would take into account the need to deliver its statutory services. John Gregory explained to the Committee that the External Auditors do not assess each of the Council's individual services in terms of statutory obligations.

The Committee wished to place on record their thanks to all of the staff who had been involved in producing what was an excellent, positive report.

The Audit and Standards Committee agreed to endorse the Annual Governance Report of the External Auditors for Warwickshire County Council and approve the proposed Letter of Representation.

6. Statement of Accounts 2014/15

John Betts (Head of Finance) introduced the report and informed members that attempts had been made to ensure that the Statement of Accounts 2014/15 were as user friendly as possible. Graphs had been used to represent financial information, with a great deal of work having been undertaken with partners to decide how best this information was shared and highlighted. The Committee welcomed the simplification of this information provided in the report.

John Gregory (Grant Thornton – Auditors) informed members that there had been no objections received from the public with regards to the Statement of Accounts 2014/15.

Members noted that the report covered the movement and management of the Council's reserves, the adequacy of the Council's reserves and the level of reserves held by each respective area of service. A full breakdown of the Council's reserves had been provided to the Committee in June 2015. John Betts informed the Committee that it was important to look at the Council's useable reserves – these had increased by £11.2 million, although members did note that the

total authority reserves had decreased. John Betts explained to members that Adult Social Care and Children's Services continued to require the largest amounts of Council funding overall – where Council funds were spent was outlined on the annual Council Tax leaflet provided to members of the public on an annual basis.

The Audit and Standards Committee agreed to recommend the Statement of Accounts to Council for approval.

7. Annual Governance Statement 2014/2015

Sarah Duxbury (Head of Law and Governance) introduced the report, explaining to the Committee that they had seen a draft version of the Annual Governance Statement (AGS) in June 2015 (on which members had provided positive feedback). There had been no significant issues raised during the production of the 2014/2015 AGS and the External Auditors had given positive feedback about the Statement. Members noted that the Council looks at examples of other local authorities' AGS's before producing their own document.

A discussion took place between members who discussed ways in which the AGS might be more effectively shared with the general public. Comment was made that it is now much easier for the public to obtain information provided by the Council. For people who had no access to a computer, hard copies of information could be sent to them on request. Following the discussion, the Committee requested that they be provided with the numbers of people who accessed the document online. Officers would make checks to ensure that all web links provided in the AGS were working correctly.

The Audit and Standards Committee endorsed the Annual Governance Statement for 2014/15 for onward submission to Cabinet and Council.

8. Warwickshire Pension Fund Statement of Accounts and Governance Report 2014/15

Helen Lillington (Grant Thornton – Auditors) introduced the report and explained to the Committee that the External Audit of the Pension Fund Statement of Accounts was treated as an entirely separate audit. The Audit findings were positive with an unqualified opinion being given.

Members noted that the External Auditors looked at how pension funds were invested, categorising investments into three levels - easy, middle and difficult. Helen Lillington explained to the Committee that the pension fund investment valuations were estimates.

The Committee noted that the pensions regulator was currently looking at the issue of member data, particularly around how organisations

ensure that any changes in member circumstances are recorded (change of address, whether or not the individual was deceased, etc).

Members expressed a view that it was extremely important to keep an effective track on member data, although this was sometimes difficult due to the reliance on other bodies to share information effectively. Members noted that the External Auditors looked at the controls which were in place to avoid overpayments being made to members of the pension fund.

Members were informed by the External Auditors that the standard of working papers provided to them by the Council had improved further. It was hoped that in future both the Statement of Accounts and the Pension Fund Report could be signed off at the same time.

John Betts (Head of Finance) explained to the Committee that the scrutiny of the performance management of the pension fund would be conducted by a local pension board which is chaired by an independent member. The Terms of Reference (ToR) for the boards had been agreed. The next stage was for the boards to look in detail at the accuracy and administration of the pension fund monies.

John Betts informed members that annual statements were provided to members of the pension fund and that there were around 150 employers with employees paying into the fund. The scheme was in its first year of 'career average' pensions. Members noted that Warwickshire had an excellent team of staff dedicated to the pensions area of business whose work was subject to internal audit.

The Audit and Standards Committee agreed to:

- 1.) Recommend the Warwickshire Pension Fund Statement of Accounts to Council for approval and;
- 2.) Endorse the Annual Governance Report of the External Auditors for Warwickshire Pension Fund and;
- 3.) Approve the wording of the Letter of Representation.

9. Work Programme and Future Meeting Dates

The Committee requested that a report be brought to a future Committee meeting which would look at the case management in Adult Social Services.

Members also requested that Janet Neale (Infrastructure Delivery Manager) attend a future meeting to deliver an update on her work around Section 106 Agreements.

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

10. Any Other Business

None

The Committee rose at 11.30 am

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Chair