

**Minutes of the meeting of the Audit and Standards Committee
held on 10th March 2016**

Present

Members:

Councillor John Beaumont
Councillor Bill Gifford
Councillor John Horner
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
Janet Neale, Infrastructure Delivery Manager
Ben Patel-Sadler, Democratic Services Officer
Virginia Rennie, Strategic Finance Manager
Garry Rollason, Chief Risk and Assurance Manager
Mark Ryder, Head of Economic Growth
Mike Wood, Service Manager, Service Development and Assurance (Adults)

External Representatives:

Grant Patterson, Grant Thornton – Auditors
Helen Lillington, Grant Thornton – Auditors

Members of the public:

None

Observers:

None

1. General

(1) Apologies

Apologies for absence were received from Councillor Chris Saint.

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

None

(3) Minutes of the meeting of the Audit and Standards Committee held on 7th January 2016

At the 7th January 2016 meeting, members had requested a report which would provide them with an update on the Council's reserves. John Betts, Head of Finance informed the Committee that a report would be presented at the June 2016 meeting.

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 7th January 2016

4. Internal Audit Progress Report

REPORTS TO BE CONSIDERED IN PUBLIC

5. External Auditors Report – Audit & Standards Committee Update

Grant Patterson, Grant Thornton – Auditors introduced the report and informed the Committee that there had been a change in the External Auditors approach to the Value for Money (VfM) statement this year. Members noted that the Council had opted to procure the CFO insights online analysis tool which would help to analyse the level of council income and spend by category – it would also help officers to compare performance with other authorities.

Grant Patterson informed the Committee that it was the function of the External Auditors to identify any significant risks that may be faced by the authority. Two examples of this included the current financial position of the authority and the impact of adult social care requirements. The External Auditors would look at how the current arrangements in relation to adult social care were functioning. Members noted that the External Auditors would look at what services the Council could and should be providing according to their available resources. Grant Patterson informed members that the External Auditors would be looking at the financial stability and the overall robustness of the organisation in the near future. Members noted that the External Auditors focussed on proactive asset management – they undertook an analysis of what assets the Council currently had and how they were being utilised to serve the public.

The Audit and Standards Committee noted the External Auditors Report.

6. External Auditors Report – 2015/16 Warwickshire County Council Audit Plan

Grant Patterson, Grant Thornton – Auditors introduced the report and informed members that the 2015/16 Audit Plan had been presented in a similar format to previous years – the report highlighted the main challenges facing the authority, namely devolution and current and future financial pressures.

Members noted that at the end of the 2017-18 authority year there would be a new requirement for the overall audit opinion to be given in July. In anticipation of this forthcoming change, members noted that a trial run was being undertaken. John Betts, Head of Finance informed the Committee that officers were now having to work extremely quickly, working in different ways to adapt to the new legislative requirements. Grant Patterson informed the Committee that the External Auditors were also having to tweak the way in which they worked due to the forthcoming legislative changes – this would include a slight change in the way in which the accounts were reported.

Some significant risks identified by the External Auditors included the management over-ride of controls, the valuation of Council assets and the valuation of the authority's pension assets and liabilities. Members noted that at this interim period, the External Auditors were satisfied with the Council's overall position.

Members noted that the Council's internal audit function must be subject to a formal, independent assessment every five years – the next review would likely take place in 2017. In addition to an external assessment an annual self-assessment was also completed.

The Audit and Standards Committee noted the 2015/16 Warwickshire County Council Audit Plan.

7. External Auditors Report – 2015/16 Warwickshire County Council Pension Fund Audit Plan

Helen Lillington, Grant Thornton – Auditors introduced the report and informed members that a plan had been agreed in relation to the pooling of investments. Members noted that by the end of July 2016 it would have been one year since the local pension boards had been in place.

The Pension Fund Audit Plan had identified some risks, including the management over-ride of controls, hard to value investments and how assets were moved between fund managers.

Members noted that the External Auditors would be looking at the career average methodology of calculating pension entitlement during the testing process. The Committee noted that each member of the pension scheme received an annual statement which helped to ensure that people knew their current pension position.

Members noted that there were around 30,000 members of the Warwickshire pension scheme – when undertaking statistical and non-statistical analysis, the External Auditors would consider a sample of between 20 and 60 members of the scheme. Members noted that no issues had been identified during the audit process.

The Audit and Standards Committee agreed to note the 2015/16 Warwickshire County Council Pension Fund Audit Plan.

8. External Auditors Report – Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2015/16

Grant Patterson, Grant Thornton – Auditors introduced the report and informed members that he was now the engagement lead for the Council.

Members noted that the report set out the annual audit fee for the County Council and the Warwickshire Pension Fund.

The Audit and Standards Committee agreed to note the Annual Fee Letter from the External Auditors for 2015/16.

9. Warwickshire County Council – Changes to Accounting Policies

Virginia Rennie, Strategic Finance Manager introduced the report and informed the Committee that a revised accounting policy for the fair valuation of assets had to be used as the basis for the preparation of the 2015/16 Warwickshire County Council Statement of Accounts. Members noted that the proposed policy complied with the 2015/16 CIPFA Code of Practice on Local Authority Accounting. Fundamentally, this meant that the change in policy defined fair value as the highest value irrespective of use and would affect the valuation and disclosure notes for surplus properties, investment properties and financial instruments.

In relation to transport infrastructure, Virginia Rennie informed the Committee that the intention of the CIPFA Code of Practice on Transport Infrastructure Assets was for each local authority to produce a single set of financial statements for transport infrastructure assets. Members noted it was estimated that the carrying value of the Council's non-current assets would increase from £1.3 billion in 2015/16 to £8.4 billion in 2016/17 as a result of implementing the Code. Members expressed a view that this method of accounting would not truly reflect the amount of money available to the Council. However, it was a positive step in terms of consistency as the Highways Agency adopted a similar approach in valuing roads.

The Audit and Standards Committee;

a.) Agreed that the accounting policy for the fair valuation of assets outlined in paragraph 2.4 should be used as the basis for the preparation of the 2015/16 Warwickshire County Council Statement of Accounts and;

b.) Agreed that the accounting policy for transport infrastructure assets outlined in paragraph 3.2 should be used as the basis of the preparation of the 2016/17 Warwickshire County Statement of Accounts and the additional disclosure notes required in 2015/16 and;

c.) Noted the amendments to the presentation of the statement of accounts in paragraphs 2.5 and 3.3 that will result from the change in accounting policy.

10. S106 Processes and Funds

Mark Ryder, Head of Economic Growth introduced the report and informed the Committee that around £205 million of S106 funding had been agreed but not yet spent.

Members noted that S106 money was collected from developers to support the provision of a range of infrastructure. The Committee noted that the role of the Infrastructure Delivery Manager (appointed in February 2015) was to coordinate and manage the S106 process throughout the planning and negotiating phase including input prior to agreements being signed.

Janet Neale, Infrastructure Delivery Manager informed the Committee that some aspects of S106 agreements were based on formulas and projected income - projected income was often calculated on an estimated basis. Members noted that some S106 money would not be received for several years – for example, if a housing development had secured planning permission but had not yet been completed (or hit trigger points). Members noted that housing developers may now have to allocate free land for new schools to be built on to accommodate pupils who would be residing on new housing developments.

Janet Neale informed the Committee that officers met with their District and Borough colleagues on a regular basis to ensure that all data held on S106 agreements was correct at a local level – links with Warwick District were particularly well advanced. Members noted that negotiations between the County and the Districts and Boroughs were ongoing to ensure a coordinated implementation of the Community Infrastructure Levy (CIL) across the county.

Members queried why small amounts of the S106 money had been spent on projects when much more had been received. Janet Neale informed the Committee that S106 income was often received in a number of instalments based on the trigger points in the agreement. Projects would then be progressed once funding was received. In some cases the Council would forward fund a project in advance of receiving S106 contributions.

Members requested further information on the allocation of S106 money on a district/borough basis.

The Audit and Standards Committee agreed to note the report on S106 processes and funds.

11. Adult Social Care – Update on Case File Audits

Mike Wood, Service Manager, Service Development and Assurance (Adults) introduced the report and informed the Committee that all recommendations made following the Hayter Serious Case Review had now been implemented.

Members noted that the new ‘Survey Monkey’ audit tool was being used to identify areas for improvement in relation to Case File Audits. Mike Wood informed members that the majority of audits completed were indicating that people in Adult Social Care environments were safe and receiving appropriate levels of care.

Members noted that although from the data it appeared that one in ten customers was not receiving appropriate care, this was unlikely to be

an accurate representation, with the issue tending to be around the quality of recording.

Mike Wood informed the Committee that he would undertake work in relation to this area to ensure that appropriate care was being given. Mike Wood assured the Committee that any safeguarding concerns identified by professionals were raised immediately. Members requested to be provided with the exact number of caseworkers currently assigned to the Adult Social Care Service.

Although 136 Case File Audits had been completed, Members requested an exact figure on the number of cases currently on the system.

Mike Wood informed the Committee that in the summer of 2016, the revised MOSAIC system would be used to inform a fully revised Adult's Audit Tool. At the same time, a single Case File Audit process with Children's Social Care would be agreed.

It was agreed that an update report would be provided at the September 2016 Committee meeting.

The Audit and Standards Committee agreed to note the report.

12. Work Programme and Future Meeting Dates

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

13. Any Other Business

None

The Committee rose at 12.15 pm

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Chair