

**Minutes of the meeting of the Audit and Standards Committee
held on 23 June 2016**

Present

Members:

Councillors John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy

Independent Members:

John Bridgeman CBE (Chair) and Bob Meacham OBE

Officers:

John Betts, Head of Finance
Sarah Duxbury, Head of Law and Governance
Virginia Rennie, Strategic Finance Manager
Garry Rollason, Chief Risk and Assurance Manager
Paul Spencer, Senior Democratic Services Officer

External Representatives:

Grant Patterson, Grant Thornton – Auditors
Andrew Reid, Grant Thornton – Auditors

1. General

(1) Apologies

None

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

Councillor Bob Stevens declared non-pecuniary interests as a Governor of Southam College and Chair of the Investment Group on the Pension Fund Sub-Committee. Councillor John Horner declared a non-pecuniary interest in an aspect of the Internal Audit report, which related to one of his areas as the Portfolio Holder for Community Safety. Councillor June Tandy declared an interest as a recipient of a County Council pension from a previous employment.

(3) Minutes of the meeting of the Audit and Standards Committee held on 10 March 2016

It was agreed that the minutes be signed by the Chair as a true and accurate record, subject to the addition of the thanks that had been recorded to Janet Neale, Infrastructure Delivery Manager in respect of her work on Section 106 (planning) agreements.

As a matter arising, Grant Patterson provided clarification on the minute of Grant Thornton's update to the last meeting. This concerned the review of asset management processes and Adult Social Care. It would involve reviewing documentation and available evidence, checking performance

management information, whether any CQC inspections had taken place and through speaking to officers.

A member questioned whether the further information on the Section 106 monies, which identified allocations at the district/borough council level had been circulated. Some members could recall seeing this information, but this would be researched and recirculated.

2. Reports Containing Confidential or Exempt Information

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 10 March 2016

The Exempt Minutes of the previous meeting were approved.

4. Internal Audit Progress Report

The Committee received a report from the Chief Risk and Assurance Manager.

REPORTS CONSIDERED IN PUBLIC

5. Internal Audit Annual Report 2015/16

The Chief Risk and Assurance Manager presented the Annual Report, which summarised the results of Internal Audit work for the year ended 31 March 2016. Members praised the report which summarised the internal audit work undertaken during the year. This public document reflected the wide range of areas that the service and the Committee had considered. All areas of concern were being addressed, which should give assurance to the public. In particular it was noted that a report has been requested by Corporate Board outlining the action taken to address the findings of all "limited opinion" audits. It was confirmed that officer contact details were provided for the public via the Council's website.

6. Annual Governance Statement 2015/16

The Committee was reminded of the requirements to review the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS). The report presented by the Head of Law and Governance explained the purpose of the AGS and the 6 core principles which underpinned it. The report then set out the assurance gathering process, with an appendix illustrating recommended steps and the findings from this review.

In considering the draft AGS, members discussed the references to the Whistleblowing Policy. They were advised that a review of the whistleblowing policy and the arrangements that are in place was being taken by officers in Law and Governance and Human Resources. It was anticipated that the revised documents should be available by the autumn. It was questioned if there were any recorded cases of whistleblowing and this would be researched.

Under Core Principle 6, which concerned engagement and robust public accountability, it was stated that some of the community forums were not meeting the scheduled four times each year as reported in the AGS. This would be investigated and it may be necessary to review the wording of the draft AGS.

Related to this, members referred to the review of the community forums, low attendance at some of the forums and the reasons for this. In some areas, the frequency of meetings had been reduced. A request was made to reference the Armed Services Covenant in the AGS and the Committee was supportive of this suggestion.

The Committee endorsed the AGS, subject to clarification of the wording around the frequency of community forum meetings and to mention of the Armed Services Covenant.

7. Internal Audit Strategy 2016/17

The Chief Risk and Assurance Manager introduced the Internal Audit Strategy for 2016/17. Members reviewed the work plan and noted that this was supported by detailed working documentation. There were contingencies to enable the service to respond to unexpected risks or unforeseen issues. It was suggested that some of the smaller certification audits could be aggregated in future reports.

The Committee approved the Internal Audit Strategy for 2016/17 and noted that no changes were required to the Audit Charter.

8. External Auditors Report – Audit and Standards Committee Update

Grant Patterson and Andrew Reid of Grant Thornton provided an update. The circulated report included a summary of emerging national issues and developments and a number of challenge questions. The audit process was underway and members were advised of the timeline, which included reporting to the Committee's meeting in September.

The results of the interim audit work were discussed. It was noted that a formal independent assessment of the Internal Audit team would be required to comply with Public Sector Internal Audit Standards. This was planned to be undertaken in 2017. The Chair asked when the Committee would receive further information on this assessment and a report to explain the process would be brought to members early in 2017.

With regard to value for money, Andrew Reid advised that in future, a more risk based approach would be taken, assessed against three sub-criteria. As a result of Grant Thornton's initial risk assessment, there were three significant risks that had

been identified. One concerned sustainable resource deployment and there were two about working with partners and other third parties. Of those, the first related to Sustainability and Transformation Plans and the second was joining the West Midlands Combined Authority (WMCA) as a non-constituent member. These were discussed in turn. An outline was given of the further audit work that would be undertaken including when reports would be brought to the Committee. Other sections of the report covered joint venture companies, fighting fraud and corruption and the Local Government Pension Scheme, regarding pooling of assets. Supporting information on these areas could be provided. Members discussed pension fund requirements and the pooling of pensions.

The Audit and Standards Committee noted the External Auditor's Report.

9. County Council Reserves

Virginia Rennie, Strategic Finance Manager presented this report which gave a summary of the reserves position and the arrangements for the management of reserves. As at 31 March 2016, the authority had some £132.6 million in reserves. The Council had set a minimum reserve level

Questioning took place on the setting of the reserve level by accountants and whether elected members had sufficient information to be able to challenge this in a robust manner. It was confirmed that there was a corporate approach to the setting of reserves. The reliance on funding from Business Rates and Council Tax was discussed. This was an increasing risk area, with greater reliance on these funding sources as Government grant reduced. This was even more of an issue for district and borough councils. There was the potential for the Council Tax Base to reduce if there was another recession, at the same time as service demands were rising. Clarification was provided on the need for the Service Realignment Fund. This reserve met redundancy costs and had reduced from over £20m to its current level of £12.7m.

It was stated that elected members did challenge reserve levels at the setting of each budget. A prudent approach was taken, listening to professional advice to balance service development aspirations against known risks. It was noted that there was £3bn of reserves held nationally by local government. The ability for local authorities to borrow in times of recession was questioned, but this could not be done for revenue expenditure. Other comments made were the potential to reduce levels of Council Tax, a view that the reserve for the Medium Term Financial Plan was over stated and it was noted that when schools became academies, they were entitled to take the reserves for that school from the local authority.

The report on the County Council's reserves position was noted.

10. Work Programme and Future Meeting Dates

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

11. Any Other Business

None

The Committee rose at 12.15pm.

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Chair