

**Minutes of the meeting of the Audit and Standards Committee  
held on 6 September 2017**

**Present**

**Members:**

Councillors Parminder Singh Birdi, Mark Cargill, Andy Crump, Bill Gifford, John Holland and Jill Simpson-Vince

**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  
Garry Rollason, Chief Risk and Assurance Manager  
Virgin Rennie, Strategic Finance Manager

**External Representatives:**

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

**1. General**

**(1) Apologies**

None

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

Councillor Cargill declared a non-pecuniary interest as a member of the Local Pension Board.

Councillor Crump declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

**(3) Minutes of the meeting of the Audit and Standards Committee held on 1<sup>st</sup> June 2017 and Matters Arising**

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

Under matters arising it was noted that all councillors had now returned their completed register of interest forms.

## **2. Reports Containing Confidential or Exempt Information**

### **Resolved**

That members of the public be excluded from the meeting for the item 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.

## **3. Exempt minutes of the Audit and Standards Committee meeting held on 1<sup>st</sup> June 2017 and Matters Arising**

### **Resolved**

That the minutes be signed by the Chair as a true and accurate record.

#### Matters Arising

The Committee noted that the number of missing children in Warwickshire had now been provided to members and that further work on cyber security and on IT in Fire and Rescue had been included in the proposed 2017/18 Audit Plan. A report will be provided once this work had been completed.

## **REPORTS CONSIDERED IN PUBLIC**

## **4. External Auditors Audit Findings Report 2016/17**

Grant Patterson, Grant Thornton – Auditors introduced the report and informed the Committee that as part of the audit process, the External Auditors required written confirmation about various elements of the financial statements (the Letter of Representation).

#### Audit Approach

Members noted that there had been one change made by the External Auditors to their audit approach which had been communicated to members and officers in the Audit Plan dated 20 February 2017. The External Auditors were initially unable to rebut the presumed fraud risk arising from revenue recognition relating to other income and associated receivables. Following further assessment at year end, the External Auditors concluded that they were able to rebut this fraud risk.

The Committee noted that the audit was substantially complete, although the External Auditors' procedures were being finalised in relation to:

- Obtaining and reviewing the management letter of representation
- Updating the post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

Members noted that the final version of the accounts were likely to be signed off at a meeting of full Council on 21<sup>st</sup> September 2017.

The External Auditors were confident that the accounts for 2017-18 would be ready for submission in readiness for the earlier 31 July 2018 reporting deadline.

### Presentation

With regards to changes to the presentation of local authority financial statements, the External Auditors informed the Committee that the Council had not included the disclosure of the amount of adjustment for each financial statement item affected (as required by the Code). The External Auditors did not believe that this omission would have a material impact on the understanding of users of the accounts and did not therefore consider that there was any impact on the financial statements.

John Betts, Head of Finance, informed the Committee that the decision had been taken to present the financial information in a format familiar to members from quarterly reporting to Cabinet (by Group) that was readable, understandable and user-friendly.

The External Auditors informed the Committee that there were no issues with regards to the Annual Governance Statement (AGS).

### Control

Members noted that the External Auditors had not identified any control weaknesses.

The External Auditors informed the Committee that the Council's internal valuations team had not considered movements in building indices/tender prices when considering potential movements in the fair value of assets held at Depreciated Replacement Cost, such as school buildings. The External Auditors' own assessment (using national indices for building tender prices as supplied by independent valuers) had suggested that any potential movement on the value held at Depreciated Replacement Cost would not be material. The External Auditors recommended that the Council's internal valuation team ensure that they include the review of tender price indices as applied to the valuation of assets held at Depreciated Replacement Cost in all future reviews of whether the carrying value of assets was materially different to their current value.

John Betts informed the Committee that officers had acknowledged this recommendation from the External Auditors. Members noted that there would be an additional cost in reviewing indices to the value of the Council's property, plant and equipment.

### Materiality

In relation to materiality, the External Auditors informed the Committee that, as per their audit plan, overall materiality had been determined to be £13,907k (being 1.8% of gross revenue expenditure) based on the 2015/16 outturn. Members noted that this had been revised to a figure of £14,351k based on the 2016/17 draft financial statements.

With regards to the cost of pensions, the External Auditors informed the Committee that although this was identified as a potential risk, they were satisfied that the information provided by officers to the actuary was accurate.

The Committee noted that the Council remained a going concern – there had been no material uncertainties related to the Council's ability to continue as a going concern which required disclosure in the financial statements.

#### Financial Pressures

The Committee queried whether or not a mechanism was in place to factor in potential demographic and other pressures/changing financial trends so that savings targets could be achieved.

John Betts informed members that reports were being submitted to Cabinet in late 2017 which would outline the progress being made in relation to savings targets, with a focus also on the budget setting process for the 2018-19 financial year.

Members were reminded that a budget setting training seminar was being facilitated by officers the week commencing 11<sup>th</sup> September 2017.

#### Insurance

John Betts informed the Committee that insurance policies were in place, providing cover for all buildings owned by the Council. Members noted that insurance officers employed by the Council were responsible for arranging buildings insurance and determined the appropriate level of cover based on the risks and the costs involved.

#### Impact of Grenfell

Members noted that because the Council did not own any high-rise buildings, there was little likelihood of a Grenfell Tower scenario occurring in Warwickshire County Council owned property and work was being undertaken by the Fire and Rescue service around the identification and inspection of high rise premises within the county.

John Betts informed the Committee that the issue of retrospectively fitting sprinklers into Council owned housing and schools was being looked at – a report on fire safety following the Grenfell Tower tragedy was being considered at Cabinet that week.

#### Accounting Policies

The Committee noted that the External Auditor had assessed revenue recognition, judgements and estimates, going concern and other accounting policies as green.

#### Process in relation to fraud

The Committee requested further information around matters in relation to fraud, specifically what was classed as a 'material' fraud. The External Auditors informed the Committee that in order for a fraud to have a material impact on the Statement of Accounts, it would have to be in relation to tens of millions of pounds (due to the size of the organisation and its associated revenue).

Following the identification of a fraud, a process was in place to re-examine the controls and ensure lessons were learnt to minimise the risk of a recurrence. The Council's own internal disciplinary process would usually be undertaken in parallel with any police investigation.

The Committee noted that Garry Rollason, Chief Risk and Assurance Manager would report the outcome of any fraud investigations to the Committee.

Members requested that the External Auditors consider how they would highlight instances of fraud in future reports.

#### Adjustments

The External Auditors informed the Committee that no adjustments to the draft financial statements were identified during the audit process. No non-trivial unadjusted misstatements were identified during the audit process.

#### Value for Money

In relation to VfM, the Committee noted that the progress of the One Organisational Plan (OOP) and working with other partners had been flagged as potential risks by the External Auditors. However, members noted that at the present time, the Council remained on course to achieve the majority of its business measures in relation to the OOP. Progress was also being made in ensuring that effective partnership working was taking place across business units.

The External Auditors informed the Committee that all councils were currently working within a period of financial uncertainty. It was not yet known what the future financial picture would be – the financial future of councils would be largely dependent on the grants provided by government.

Members noted that the objection from a member of the public with regards to the 2015-16 accounts had not yet been resolved. This matter was likely to be concluded in the very near future.

Members requested that in future reports, the External Auditors attempt to provide a more succinct way of presenting the executive summary (ideally no more than one side of A4).

The External Auditors informed the Committee that they were intending to provide an unqualified opinion that the financial statements of Warwickshire County Council for the year ended 31 March 2017 gave a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

#### **Resolved**

- (1) That the Committee endorse the Annual Governance Report of the External Auditors for Warwickshire County Council.
- (2) That the Committee approve the wording of the Letter of Representation.
- (2) That a briefing note on insurance cover be circulated to members of the Committee.

#### **5. Statement of Accounts 2016/17**

Virginia Rennie, Strategic Finance Manager, introduced the report and informed the Committee that work had been undertaken by officers to ensure that the information presented within the Statement of Accounts was easy to follow and understand.

The Committee expressed a view that the graphs outlining how the Council spent its money were very self-explanatory but would welcome a key to explain the categories of red, amber and green.

Members noted that all of the information included within the Statement of Accounts document was available within the Member Dashboard system.

Virginia Rennie explained that the 7% underspend within the fire and rescue business unit was due to an amount of money being held back due to the likelihood that there may have been backdated pension payments to make. It had since been determined that these backdated payments would not have to be made – the money would be reallocated to the fire and rescue business unit.

Virginia Rennie informed the Committee that the Council was currently in a healthy financial position.

The Committee noted that the level of reserves rose sharply between March 2015 and March 2016 due to the valuation placed on the pension fund by the actuary. The pension fund reserves were not usable reserves – usable reserves were approximately £133.4 million as at 31<sup>st</sup> March 2016.

John Betts, Head of Finance, informed the Committee that cash had been moved to bank current accounts so that the money could be moved into potentially profitable investments as soon as they were identified. Cash had been moved out of short term deposits as there was little generation of interest on these deposits.

Virginia Rennie informed the Committee that the majority of short-term debt due to be paid to the council was from Central Government bodies (approximately £7.1 million). Members noted that this figure was correct as at 31<sup>st</sup> March 2017 - some, if not all, of this money would now have been paid to the council.

Members noted that the council was managing its money prudently.

## **Resolved**

That the Committee recommend that the Statement of Accounts 2016/17 be sent to Council for approval and requests that a key be inserted into the Statement of Accounts Document which would explain the Red, Amber and Green (RAG) labelling.

## **6. Annual Governance Statement 2016/2017**

Sarah Duxbury, Head of Law and Governance introduced the report and informed the Committee that they had considered this document at the 1<sup>st</sup> June 2017 meeting.

Members noted that the previously requested amendments to the Annual Governance Statement (AGS) had been reflected in the tabled document.

The Committee noted that the ongoing recruitment of additional social workers remained a corporate priority.

## **Resolved**

That the Committee endorse the Annual Governance Statement for 2016/17 prior to submission to Cabinet and Council.

### **7. Warwickshire Pension Fund Statement of Accounts & Annual Governance Report 2016/17**

Helen Lillington, Grant Thornton – Auditors introduced the report and informed the Committee that this had been a smooth audit with a great deal of work having been undertaken to ensure that the accounts were finalised significantly ahead of schedule.

Helen Lillington informed the Committee that she was confident that the new July 2018 deadline for submission of the Pension Fund Statement of Accounts and Annual Governance Statement would be met.

Members noted that the working papers provided to the External Auditors by council officers had been of a high quality – this had been the case with historical submissions by council officers.

Members noted that the controls to ensure investments were managed correctly were included in the report.

Helen Lillington informed the Committee that there had been no significant risks identified with regards to member data.

The Committee noted that data integrity of the pension fund membership had been tested using a random sample of 25 records.

Although not a significant risk, Helen Lillington informed the Committee that key management personnel played a crucial role in the effective administration of the pension fund. These individuals were identified by post title.

It was the view of the External Auditors that sufficient controls were in place to ensure the effective operation and management of the pension fund.

The Chair and Committee members wished to place on record their thanks and appreciation to Helen Lillington for all of the work she had undertaken during her time working alongside the Committee. Helen was being reassigned (standard procedure) after working with the Committee for ten years.

## **Resolved:**

That the Committee:

(1) Recommend the Warwickshire Pension Fund Statement of Accounts to Council for approval and;

(2) Endorse the Annual Governance Report of the External Auditors and;

(3) Approve the wording of the Letter of Representation with the following amendment: that the letter be amended to the correct wording of 'Audit and Standards Committee' (not Audit and Governance Committee) and;

(4) Request that officers conduct checks to ensure that the Warwickshire Pension Fund meets the requirements of the Pensions Regulator.

## **8. External Auditors Progress and Update Report**

### **Resolved**

That the Committee note the External Auditors Progress and Update Report

## **9. Counter Fraud, Bribery and Corruption Framework**

Garry Rollason, Chief Risk and Assurance Manager, introduced the report which outlined an updated framework.

Members noted that some minor wording changes had been carried out and that the framework had been shared with the Council's Corporate Board. Corporate Board had asked for the framework to be strengthened to ensure that Garry Rollason would be informed at an earlier stage of any potential frauds and to clarify his rights to obtain information required for an investigation.

Members noted that an Equality Impact Assessment had been completed as part of the updated framework.

Garry Rollason informed the Committee that it was extremely difficult to completely eradicate fraud in an organisation as big as the council – the policy sought to highlight how procedures could be changed in an attempt to reduce fraud.

The Committee asked for the wording of paragraph 7.2 to be reviewed to clarify the arrangements for reporting suspected fraud to the Police but were content to recommend the framework to Cabinet for approval.

### **Resolved**

That the Committee recommend the Counter Fraud, Bribery and Corruption Framework for Cabinet approval.

## **10. Internal Audit – External Quality Assessment**

Garry Rollason, Chief Risk and Assurance Manager, introduced the report and informed the Committee that an external quality assessment would provide the internal audit team with an objective assessment of its effectiveness and performance.

It was the view of Garry Rollason that the appointment of Gateway Assure Limited to conduct this assessment would ensure that the assessment was carried out by



staff who had significant academic, theoretical and practical knowledge of the internal audit function.

### **Resolved**

That the Committee noted the appointment of Gateway Assure Limited to undertake an external quality assessment of internal audit during 2017/18 in accordance with the Public Sector Internal Audit Standards.

## **11. Whistleblowing Policy**

Sarah Duxbury, Head of Law and Governance, introduced the report and informed the Committee that this was a revised policy (the Committee having considered this policy on several previous occasions).

The policy had been reworded to ensure that staff felt safe in reporting any concerns and to encourage staff to come forwards to report them.

The policy had been re-ordered with the wording reviewed and additional bullet points had been added at 1. of the appendix to ensure the policy was more positive and user friendly.

Sarah Duxbury informed the Committee that trade unions had been consulted about the revised policy.

The Committee discussed if the word 'serious' needed to be included within the policy. Members expressed a view that if the word 'serious' remained, then it may discourage some staff from reporting some matters which they felt might not be serious. Members wanted to be sure that staff could report anything which they felt was inappropriate and not just serious matters. This aspect would be reviewed before the policy was submitted to Cabinet for approval.

### **Resolved**

That the Committee endorse the revised Whistleblowing Policy and Essentials Document for onward submission to Cabinet.

## **12. Work Programme and Future Meeting Dates**

The Committee noted the Work Programme and future meeting dates.

## **13. Any Other Business**

The Committee requested that the Fire and Rescue report on fire safety following the Grenfell Tower tragedy being considered at Cabinet on 7<sup>th</sup> September 2017 be shared with them.

In relation to Brexit, the Committee noted that they would need to keep a watching brief on the process – the likely impact on local authorities would not be known until it was determined if the future grants paid out by Government would be affected.

The Committee rose at 12.15pm

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Chair