

Minutes of the Audit and Standards Committee Meeting held on 11 March 2019

Present: Martyn Tittley (Chairman)

Attendance

Derek Davis, OBE	Bernard Williams
Mike Davies	Victoria Wilson
Michael Greatorex	Susan Woodward
Ian Lawson	Alastair Little
Carolyn Trowbridge (Vice-Chairman)	

Also in attendance:

Apologies: David Brookes, Colin Greatorex, Ross Ward and Jill Hood

PART ONE

65. Declarations of Interest

There were no declarations of interest.

66. Minutes of the Meeting held on 3 December 2018

RESOLVED: The minutes of the meeting held on 3 December were confirmed and signed by the Chairman.

67. Review of the Effectiveness of the Audit & Standards Committee

The Interim Chief Internal Auditor (ICIA) explained that the report provided Members with the latest self-assessment results following the review of the effectiveness of the Audit and Standards Committee against recommended practice as contained in the CIPFA Publication – Practical Guidance for Local Authorities and Police (2018 edition). A presentation on this guidance was made to the Committee in October 2018.

The report set out further information regarding the function and operation of audit committees and the self-assessment of good practice (Appendix 1) and the re-evaluation of the effectiveness of the Audit and Standards Committee (Appendix 2). Following this publication there had been a few revisions to the good practice questions contained in the checklist and the interim ICIA's assessment was made against this latest checklist. The actions arising from the self-assessment were included within Appendix 2. The key actions arising from the updated self-assessment were detailed as follows:

The publication of an annual report on the Committee's work including performance in relation to the terms of reference and its effectiveness in meeting its performance. This is to be included in the Committee's 2019-20 Forward Plan.

The continued oversight of the Council's risk management processes including strategic risks and amendments to these. The Committee will continue to have oversight of the Council's risk management processes.

The need to consider the use of CIPFA's audit committee members – knowledge and skills framework to assist in the identification of training needs. This action was outstanding from the previous year. The interim ICMA agreed to discuss this with the Chair during 2019-20.

The latest self-assessment was discussed, and any actions taken detailed in the Action column of Appendix 1. With reference to Appendix 2, Members undertook their own self-assessment in March 2018. This year the assessment had been re-performed by the ICIA and any amendments to the scores were presented at this meeting for Members to approve. Following this there had been two amendments to the assessments regarding “*supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk*” – regraded from 3 to 4 because of improvements made in 2019, and “*aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements*” – regraded from 2 to 4. This reflected the fact that the Committee continues to regularly receive the Top Ten and Limited Assurance reports and internal audit Special Investigation reports as well as audit work on the Stoke on Trent and Staffordshire Local Enterprise Partnership (SSLEP) and project work.

Members asked what progress was being made regarding the appointment of an independent Member. The Chairman stated that this was being investigated and would be considered at the next meeting. The interim ICIA stated that the Terms of Reference for the Committee had been updated to enable the Committee to have an independent member.

Members suggested that it might be helpful to invite the Cabinet Member for Finance to meetings. Members asked if consideration could be given to the training needs of Members. The Chairman agreed to take this forward.

Members drew attention to the importance of fully integrated IT systems.

Members agreed to a further self-assessment exercise in March 2020.

RESOLVED: a) That the report be received b) that consideration be given to the appointment of an Independent Member at the next meeting c) that consideration be given to the training needs of Members of the Committee d) that a review of the effectiveness of the Audit and Standards Committee be added to the Forward Plan in March 2020.

68. Annual Report on the Management of Complaints and Report of Committee for Standards in Public Life on their Review of Local Government Ethical Standards

The Head of Law and Democracy introduced this item and noted that there were seven complaints during the period January 2018-December 2018 considered under the standards regime. The main issue raised by complainants was the speed of responding to correspondence. There was also evidence of Members falling foul of social media posts. There was a process in place for considering complaints and this fell within the remit of the Director of Corporate Services. The process was supported by independent members.

The Committee for Standards in Public Life had completed a review of local government ethical standards. The Association of Democratic Services Officers had done a useful summary of this report and this was included as Appendix 2. Some recommendations required changes in primary legislation. Members were asked if they wished officers to look at this and make any recommendations regarding changes in the Council's Constitution.

The Chairman suggested that some guidance on the use of social media in the Members' bulletin might be useful. The Head of Law and Democracy responded that some guidance had recently been published in the Bulletin and an offer for some face-to-face training had been made to political groups.

Members drew attention to the useful advice and guidance that had been given by the Community Partnerships Officers. The Head of Law and Democracy acknowledged that there may be gaps following the departure of the CPOs and we would have to investigate how to deal with this.

Members asked if complaints that had not been upheld were detailed in the report. Members were informed that complaints dealt with informally were included in the report. Members asked for more detailed actions in the report including details of who had undertaken training and when.

The Leader of the Opposition drew attention to a complaint she had lodged that had not been resolved and to the way in which a racist complaint had been dealt with. The Head of Law and Democracy agreed to investigate this.

Members questioned the reference to dealing with complaints "informally". Members stated that **all** complaints should be dealt with formally and for a formal resolution of the complaint to be achieved. The Director of Corporate Services suggested that there could be more transparency and visibility as to how complaints were dealt with and reported to the Committee. If this were the case, matters would have to be discussed under Part II of the agenda. He added that some issues may not warrant being brought to the attention of the Committee.

The Chairman summarised that going forward more detailed Members' Code of Conduct reports should be brought to the Committee under Part II. He also proposed that unconscious bias training might be useful for Members.

The Leader of the Opposition drew Members' attention to the sanctions that could be enforced under the Standards regime e.g. withdrawal of a Special Responsibility Allowance.

RESOLVED: a) That the information contained in the report be noted b) That more detailed Members' Code of Conduct reports be brought to the Committee under Part II of the agenda c) That a further report on the Review of Committee for Standards in Public Life on their review of local government ethical standards and its implications for Staffordshire County Council be brought to the next meeting of the Committee d) that the proposal to have unconscious bias training for Members be taken up with the ICT and Member Training Officer.

69. External Audit Plan 2018-19

The Chairman expressed his thanks to Jason Burgess, Ernst & Young, for his contribution at the Preview meeting.

Mr Stephen Clark, Ernst & Young drew Members' attention to the key highlights in the audit strategy. The audit risks were summarised in the report. Risk of fraud in revenue and expenditure recognition for use of flexibility of capital receipts and misstatements due to fraud or error were standards items. Some time had been spent during last year on valuation of land and buildings, identified in the strategy as a 'significant risk', and valuation of the Local Government Pension Scheme (LGPS) liability and assets, identified in the strategy as 'Other financial statement risk'. Two new areas had been identified this year: IRFS 9 – financial statements; and IRFS 15 – revenue contracts with customers. Ernst and Young were working with the Council to identify where the Council was in terms of progress with implementing these. Finally, PFI accounting had been identified as 'other financial risk', in particular the Waste to Energy PFI scheme.

In respect of planning materiality, this was on the same basis as previous years. Materiality had been set at £13.33m, which represented 1% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £9.9m. Any audit differences relating to the primary statements greater than £0.66m would be brought to the attention of the Committee.

A number of risks had been identified in the value for money area, most of which had a level of consistency with previous years. Firstly, around sustainable resource deployment given where the Council was with regard to its financial position. There were risks in relation to working with external partners and third parties e.g. the health care market going into administration and work that was taking place to replace their provision. The Council had received a number of commentaries from regulatory and inspection bodies the tone of which has been mixed. The most significant report related to a joint inspection in November 2018 of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. The outcomes of these reports are now being considered.

Mr Clark highlighted the reduction Ernst & Young's fees reported on page 74 of the agenda pack.

The Chairman was concerned regarding the report on SEND and suggested that a letter was sent from the Committee to the Cabinet Member for Children and Families drawing his attention to the possible impact on the MTFs of addressing the concerns raised in

the inspection report, particularly as some elements were dependent on third parties over which we had no control.

The interim Director of Finance stated that the vast bulk of activity came from the Schools Grant. However, if this ran out it was incumbent on the local authority to address this. The Schools Forum receives reports on the amount of dedicated schools grant which is in the order of £500m (this is split by government into several blocks including the High Needs Block (circa £80m) which is currently overspent). This overspend is being funded from accumulated schools' balances. There is a plan in place in discussion with the Schools Forum to reduce this spend, together with a request now approved by the Secretary of State, to top slice the general grant scheme to spend in this area. It is hoped that this recovery plan would be successful, but if not, there was a potential impact on the MTFS.

RESOLVED: That a letter be sent to the Cabinet Member for Children and Families regarding the risk to the MTFS of the impact of addressing the failings identified in the Joint Area SEND Inspection in Staffordshire.

70. Local Government Audit Committee Briefing

Mr Stephen Clark, Ernst & Young, drew Members' attention to the Local Government Audit Committee briefing for Quarter 4, December 2018. Brexit featured largely in the report and will have a significant impact across all organisations.

Outside the report, but of interest to the Committee, Mr Clark stated that he had been asked to give evidence to the Public Accounts Committee on local audit qualifications to value for money opinions and how authorities dealt with the work of the auditor. A report will be published in due course. Lastly, there is debate led by reviews on the future of audit given the collapse of firms such as Carillion, and how this could impact on the future audit of public bodies.

RESOLVED: That the report be received.

71. Staffordshire Pension Fund Audit Planning Report 2018-19

Mr Stephen Clark, Ernst & Young presented this report on behalf of Suresh Patel. The dashboard on pages 101-102 of the agenda pack focussed on changes in audit valuations from 31 March. These are predominantly around investment valuations. For the first time this year, the Local Government Pension Scheme (LGPs) Asset Pooling Arrangements had been identified as a risk.

In terms of the audit team, Caroline Davies has left Ernst & Young and has been replaced by Vicky Chong. Suresh Patel will remain as the Engagement Lead.

RESOLVED: That the report be received.

72. Forward Plan

The interim Chief Internal Auditor stated that the Forward Plan summarised the work completed by the Audit and Standards Committee for 2018-19. Discussions were taking

place with the Chairman regarding the regarding the Forward Plan for 2019-20. The Annual Report will be presented in June 2019. Members comments were invited.

Some changes to meetings planned for Monday mornings would take place to facilitate attendance by the Director of Corporate Services. Councillor Northcott requested that meetings on Fridays be avoided as this was his work day.

Note by Clerk: The meeting currently planned for 14 October at 10.00 a.m. has been moved to 14 October at 2.00 p.m.

RESOLVED: The report was received.

73. Exclusion of the Public

RESOLVED: That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below.

74. Update on Cyber Security Essentials Audit

(Exemption paragraph 3)

75. Use of Data, Analytics and the Development of Continuous Controls Monitoring

(Exemption Paragraph 3)

76. Data Centre Environmental and Physical Security Controls - Final Audit Report

(Exemption paragraph 3)

77. Approved Mental Health Professionals - Final Audit Report

(Exemption paragraph 3)

Chairman