

## **Minutes of the Audit and Standards Committee Meeting held on 13 March 2017**

Present: Martyn Tittley (Chairman)

### **Attendance**

Derek Davis, OBE	David Smith
Mike Davies (Vice-Chairman)	Alison Spicer
Brian Edwards	Diane Todd
Michael Greatorex	Caroline Wood
Philip Jones	Mike Worthington
Robert Marshall	

**Apologies:** William Day, Derrick Huckfield and Kevin Jackson

### **PART ONE**

#### **55. Declarations of Interest**

Councillor Alison Spicer declared an interest as a member of the Staffordshire County Council Pension Scheme.

#### **56. Minutes of the Audit and Standards Committee Meeting held on 5 December 2016**

RESOLVED That the minutes of the Audit and Standards Committee held on 5 December 2016 were approved as an accurate record and signed by the Chairman.

#### **57. Information Governance Annual Report**

The Head of Information Governance presented the annual report and highlighted ongoing work to manage the County Councils information assets with regard to legislative and regulatory requirements. The report referred to the policies, processes and practices employed to ensure the County Council complies with legislative requirements.

The County Council had a duty to be transparent in terms of freedom of information. Published statistics had shown that nationally the number and complexity of Freedom of Information requests submitted to local authorities remained high and the amount of time spent in administering these had continued to increase. The benchmark set by the Information Commissioner for an acceptable service was 85% of the requests answered within 20 days, for 2016 the County Council had maintained a 95% rate.

The County Council had taken the lead on establishing the One Staffordshire Information Sharing Protocol signed by over 173 public sector bodies across Staffordshire who were committed to effective information sharing. The County Council

had signed up to a national protocol to expedite Police and CPS requests for information in child safeguarding investigations.

The General Data Protection Regulation (GDPR) had been adopted into European Law in April 2016, aiming to strengthen consumer protection and enhance trust and confidence in how personal data is used and managed, giving citizens more control over their own private information. The County Council has already undertaken some preparation to understand the impact of GDPR and a work plan through 2017 would ensure the County Council will be compliant.

Local Authorities continued to face challenges to ensure appropriate cyber security is in place and the County Council remained focussed on working towards resilient procedures across the authority. The County Council had developed a Cyber Security Incident Plan and a desk top plan had been carried out in 2016 to test the plan.

The County Council was entitled to use the Regulation of Investigatory Powers Act for carrying out covert surveillance as part of their statutory duties. In 2016 no Direct Surveillance requests were made.

The Council continued to invest in software and hardware to combat security threats. A number of members commented that the security software installed on their County Council computer impeded their use of it. They had experienced difficulty in storing and accessing information. Michael Greatorex, a member of the Members Service Development Panel said that that panel was investigating the use of IT for members and asked that any matters be referred to him to raise appropriately.

**RESOLVED** That (a) the Information Governance Annual Report be received and (b) the County Council ensures that the IT offer for members appointed to the County Council at the May 2017 election is fit for purpose and supported by adequate training.

## **58. Annual Statement - Member Standards**

The Annual Report on the Management of Complaints made under the Members Code of Conduct was presented. The Code of Conduct was based upon the seven principals of public life and required them to publically register and declare any disclosable pecuniary interests.

The Localism Act 2011 required local authorities to have arrangements in place to deal with formal complaints against members. Those arrangements have include the appointment of an Independent Person whose views must be sought by the authority.

In the period January 2016 to December 2016 there had been four complaints. In all cases the decision was that there were no sanctions to apply and nothing of substance to refer to the Audit and Standards Committee.

**RESOLVED** That the Annual Report on the Management of Complaints made under the Members Code of Conduct be received

## **59. Local Government Pension Scheme Asset Pooling**

The Strategic Investment Manager (Treasury & Pensions) introduced a report requesting support from the committee to the recommendations of the Pension's Committee to the County Council in relation to LGPS pooling.

In the summer of 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing and issued guidance and criteria to help administering authorities to develop proposals for pooling aimed at reducing costs and improving efficiency.

LGPS pooling would relate solely to the assets of the 8 Partner Funds. Each administering authority would retain the decision making function about the Investment Strategy and the Strategic Asset Allocation of the Fund. As liabilities would also be retained locally, decisions about the Funding Strategy and Contribution Strategy would also remain with the administering authority's Pensions Committee and Pensions Panel.

By means of a chart, the Strategic Investment Manager (Treasury & Pensions) explained the Governance Structure for LGPS Central. A Shareholders Forum, comprising one elected Member from each of the 8 Partner Funds would act as the supervisory body of the pool and fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively. A Joint Committee, set up in accordance with the provisions of the Local Government Act 1972, would be the forum for dealing with common investor issues and for the collective monitoring of the performance of the pool against its objectives. To support the Joint Committee and the Shareholders' Forum, a Practitioners Advisory Forum would be created, consisting of officers from each of the 8 Partner Funds. This Forum would provide day to day oversight of the company and monitor its investment performance and investment costs.

In order to facilitate the Governance arrangements for LGPS Central, there needed to be changes to the County Councils constitution.

**RESOLVED** That the following recommendations of the Pensions Committee to the County Council be supported:

- A. To enter into a shareholders agreement to become a joint shareholder of LGPS Central Ltd; a private company limited by shares, held solely by the participating funds, on a 'one fund, one vote' basis; incorporated for investment management purposes and regulated under the Financial Services and Markets Act 2000.
- B. To approve the Staffordshire Pension Fund's involvement in the governance and management arrangements for future Pension Fund investment management activity in accordance with the Governance Structure, specifically:
  - (i) To appoint the Chair of the Staffordshire Pensions Committee or their nominated representative, to attend all Shareholder Forum meetings and to exercise the Council's voting rights as a shareholder of LGPS Central Ltd.
  - (ii) To enter into an Inter-Authority Agreement with;
    - Cheshire West and Chester Council

- Derbyshire County Council,
- Leicestershire County Council,
- Nottinghamshire County Council,
- Shropshire Council,
- Wolverhampton City Council and
- Worcestershire County Council

to regulate how the above authorities collaborate with each other in relation to the investment activities of LGPS Central Ltd.

(iii) To establish a joint pension fund investment pool, in accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

(iv) To establish a Joint Committee under s102 of the Local Government Act 1972, to provide joint oversight of the pool and to suggest recommendations to the Practitioners Advisory Forum from time to time, in accordance with the terms of the Inter-Authority Agreement.

(v) To appoint the Chair of the Staffordshire Pensions Panel or their nominated representative, to attend all meetings of and act as the Council's representative on the Joint Committee.

(vi) To agree in principle to any future request for the Council to act as lead authority to provide governance and administrative support to the Joint Committee on behalf of the participating Councils, subject to an appropriate cost sharing agreement in respect of officer time and other expenses.

(vii) To appoint the Director of Finance and Resources (and s151 Officer) or their nominated representative to represent the Council on a Practitioner Advisory Forum, providing joint officer support to the Joint Committee and support and decision making advice to the Shareholder Forum.

C. To authorise the Director of Strategy, Governance and Change and the Director of Finance and Resources to enter into the Shareholders Agreement and the Inter-Authority Agreement to establish a joint asset pool, and investment management company and Joint Committee, as outlined in this report, and to implement the agreed recommendations.

## **60. External Audit Plan 2016/17**

Mr Steve Clarke and Mr Mark Sturridge from Ernst & Young, External Auditors, presented the County Councils Audit Plan for 2016/17.

The Plan set out their intent to providing an audit opinion on the financial statements of the County Council and to providing a statutory conclusion on the Councils arrangements to secure economy, efficiency and effectiveness.

At this planning stage, two presumed risks had to be assessed – the risk of management override of controls; and the risk of fraud in revenue and expenditure recognition. In addition significant risks in relation to property, plant and equipment valuation and, Accounting for the Waste PFI had been identified. Other key areas of audit focus included LGPS Liability and financial statements presentation.

In terms of the Value for Money judgement, EY were required to consider whether the County Council had in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. Significant risks identified in this respect were Sustainable Resource Deployment (delivery of the MTFS) and Working with Third Parties effectively to deliver strategic priorities (the Health/Social Care agenda).

Philip Jones challenged the External Auditors asking them to strengthen their work around Value for Money which in his opinion was not sufficiently robust. He said the MTFS Working Group had spent some time analysing the CIPFA Value for Money graphs and had noted that some local authorities achieved good outcomes at much reduced costs and he welcomed a less ambiguous judgement from the External Auditors.

**RESOLVED** That the County Councils Audit Plan 2016/17 be received.

#### Staffordshire Pension Fund Audit Plan 2016-17

Ms Caroline Bailey presented the Staffordshire Pension Fund External Audit Plan for 2016-17. The Plan set out their intent to providing an audit opinion on the financial statements of the Staffordshire Pension Fund and to providing an opinion on the consistency of the Pension Fund financial statements.

As part of their initial analysis, the external auditors identified two areas of significant risk: management override and the valuation of complex investments.

Members who were also members of the Pensions Panel, shared their concern regarding the valuation of property portfolio.

**RESOLVED** That the Staffordshire Pension Fund Audit Plan for 2016-17 be received.

#### **61. Forward Plan**

**RESOLVED** That the Work Programme for the Audit and Standards Committee for 2016-17 be received.

#### **62. 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 paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

#### **63. Exempt Minutes of the meeting held on the 5 December 2016**

(exemption paragraph 3)

RESOLVED That the exempt minutes of the Audit and Standards Committee held on 5 December 2016 be recorded as an accurate record and signed by the Chairman.

**64. Internal Audit Reports - Special Investigation/Top 10 Risk Report**

(Exemption paragraph 3)

Members received two reports summarising the results of Internal Audit Special Investigations. The reviews related to Trading Standards – Property Audit – Special Investigation and Infrastructure + Partnership Governance and Risk.

Members discussed the detail of the reviews, noted progress against the Action Plan and assurances offered that areas of risk were being addressed, and made recommendations thereon.

**Chairman**