Minutes of the Audit and Standards Committee Meeting held on 30 July 2018

Present: Martyn Tittley (Chairman)

Attendance

Derek Davis, OBE	Ian Lawson
Mike Davies	Jeremy Oates
Michael Greatorex	Bernard Williams
David Brookes	Victoria Wilson
Colin Greatorex	Paul Northcott
Syed Hussain	

Also in attendance: Vishal, Savjani (Ernst & Young) and Stephen, Clarke (Ernst & Young, External Auditors)

Apologies: Carolyn Trowbridge, Ross Ward and Jill Hood

PART ONE

21. Declarations of Interest

There were no declarations of interest.

22. Minutes of the Meeting held on 13 June 2018

RESOLVED: That the Minutes of the meeting held on 13 June 2018 be confirmed and signed by the Chairman.

23. Annual Governance Statement 2017-18

The interim Head of Audit and Financial Services introduced her report by explaining that the Annual Governance Statement (AGS) for 2017-18. The AGS 2015 is part of the requirements of the Accounts and Audit Regulations 2015 that the Council is required to have as part of the Annual Accounts. The AGS is reviewed by the external auditors and produced on the Council's external website for information.

In the document the Council acknowledged its responsibility for ensuring that there is a sound system of governance; it summarised the key elements of the governance framework and described the roles of those responsible for the development and maintenance of the governance environment. The AGS also described how the Council had monitored and evaluated the effectiveness of its governance arrangements throughout the year and on any planned changes in the coming period and provided details of how the Council had responded to any issue(s) identified in last year's governance statement and finally, reported on any governance matters that need to be considered in 2018-19. The diagram on page 17 of the AGS described how the Council prepared the governance statement and the key elements of the Framework. The draft Statement is considered by the Corporate Governance Working Group which included key members of Council. The AGS was then presented to the Audit and Standards Committee for approval, and then goes on to the Leader of the Council and Chief Executive for approval. In preparing the Statement, reference is made to the guidance produced by the CIPFA/ Solace Framework on Good Governance. The Council's Local Code of Corporate Governance had been updated to reflect this guidance and the Council had assessed the effectiveness of the Council's governance arrangements. In reviewing the effectiveness reference was made to the governance framework, the actions that were raised last year, details of which were given in the Appendix of the pack. Where appropriate, actions had been carried forward into the 2017-18 Statement. Account had also been taken of the Chief Internal Auditor's report that was presented to the Committee at the last meeting and the issues that were identified in relation to the MyFinance and MyHR systems including the issue regarding the capacity and capability within the organisation. The AGS also took account of the External Auditor's view. In last year's accounts there was an Unqualified Opinion that was presented. Issues relating to other agencies' review inspectorates had also been taken on board. Members were asked to note the view that had been taken from the external assessor presented to the Committee in March 2018 who gave it the highest standard of compliance with the standards. The Council also reviewed whether the Section 151 and Monitoring Officer had had to use their official powers during 2017-18 (they had not had to use these powers). A review of scrutiny arrangements for Select Committees had concluded that these were effective. A system for confirming that controls are working is being developed via Corporate Directors in 2018-19. There had been no complaints investigated by the Audit and Standards Committee regarding elected Members. The Ombudsman had not upheld any complaints about governance issues. A number of whistleblowing issues were being considered by the Monitoring Officer and they would be reported to the Corporate Governance Working Group once completed. The core principles behind Staffordshire County Council's governance framework was described linking to the overarching aim that the Council is achieving the intended outcomes whilst acting in the public's interest at all times.

The core principles behind Staffordshire's Governance Framework were defined. This takes the seven principles and ensures that the relevant systems and processes are sitting underneath them in the organisation. Details of who was responsible for developing and maintaining the governance framework and their key roles was described going from the Council through to individual managers and employees responsible for ensuring that this process is embedded. The progress made with individual governance issues raised by Members last year was explained. Some of these were ongoing and would be carried forward to 2017-18.

Nine Key Governance Matters were identified by the various governance processes described earlier. These included working with the NHS bodies as part of the Sustainability and Transformation Plan in order to improve health and care provision within Staffordshire; looking at the transformational change required to achieve the Medium Term Financial Strategy; various transformation models within different services; work to develop the workforce engagement; reviewing and updating various Schemes of Delegation; work to review and monitor our Business Continuity arrangements including work with key suppliers to ensure that they are sufficiently resilient; work to ensure that we keep a watching brief over changes in this area and keeping a watching brief to ensure that all of the internal audit recommendations are achieved.

Members expressed concern regarding the detail in the report and suggested that some actions should be prioritised as they were fundamental to the wellbeing of the organisation. It was suggested that these items should be highlighted and scrutinised in more detail.

RESOLVED: a) That the report is approved. b) That the Significant Control Issues listed in the AGS Supporting Paper 2 are added to the Audit and Standards Committee Work Plan in a timely manner.

24. Statement of Accounts 2017-18

The Deputy Director of Finance (DDF) introduced the Powerpoint training session on the Statement of Accounts by giving details of the context. The Statement of Accounts were being brought to the Committee for approval.

He explained that finalising the Statement of Accounts had been a challenge this year as the Regulations had changed which had meant that three months' work had had to be completed in two months, including the audit of the accounts. This had proved to a challenge and had had resource implications for the Teams. Members were reminded that a new Finance system had gone live in November 2017 and this had had a direct impact on the Statement of Accounts. The first part of the Accounts had been run on the old system (SAP), and the second part of the year on the MyFinance system. Thirdly, the system for the valuation of fixed assets had been changed from an in house valuation team to engage the services of the District Valuer.

There have been some matters of human error, not in respect of any cash transactions, but in the notional transactions around fixed assets. No system or control or data issues had been identified in regard to the MyFinance System, but at certain points in the year such as 31 March reports had to be run off to enable the external auditors to do their job more efficiently. This had not been known in advance, so some retrospective reporting had had to be completed to enable the external auditors to do their reports. There had also been some learning in regard to the new arrangements with the District Valuer.

The **formal** accounts were placed before Members. There were many notional adjustments i.e. non-cash back transactions that the Council was required to put through the accounts in order to comply with the Regulations, but because the impact of the non-cash back transactions could fall to the taxpayer there were a number of transactions that had to be put in the accounts and then reversed out. This made reading the accounts and interpretation somewhat difficult. From the Auditors' report it was pointed out that there had been some final checks to be completed and the DDF proposed that the Audit and Standards Committee delegate to the Director of Finance and Resources (DFR) to make any final adjustments to the accounts, subject to final checks being undertaken by the external auditors, with the proviso that if there was anything significant identified the DFR would consult with the Chairman.

a) Training Session - Understanding the Statement of Accounts

The Corporate Finance Manager (CFM) gave a Training Session on Understanding the Statement of Accounts. She drew Members' attention to the concept of stewardship that lay behind bringing the Accounts to the Committee. The Council spent a considerable amount of money and it was important to show to the public, Councillors and the external auditors that the Council had accounted for this money appropriately. There were other aspects of stewardship such as inspections and value for money inspections and other systems of governance that showed how well the Council was used. The Regulations governed the Statements of Accounts and stated that they must be brought to the Audit and Standards Committee for approval every year.

Inside the accounts the main areas of interest were the statements that showed how much services cost; where the Council had got money from and what assets and liabilities the Council had at the end of the year. In preparing the accounts the readership of the accounts was borne in mind. The accounts covered the period 1.4.17-31.3.18. This had been the first year with the new statutory deadlines and had meant that the accounts had to be signed off by 31.5.18 by the DFR, and audited and approved by the Committee by 31.7.18. There had been an extended period of public inspection of six weeks this year during which there were no enquiries.

The CFM went on to explain that the Code of Practice on Local Authority Accounting must be followed in preparing the accounts. There were no significant changes in the Code this year. The accounts must be signed by the DFR and audited by the external auditors, Ernst and Young. Two of the fundamental principles that were applied in the preparation of the accounts were materiality and accruals. Materiality meant that the Council should account for large transactions and be less concerned regarding smaller transactions. Accruals meant that the Council must ensure that transactions are reflected in the correct financial year.

The Narrative Statement was an overview of the DFR setting out the financial position of the financial year. The accounting policies were quite technical and explained how the different financial elements had been accounted for. Following this the financial statements and notes and the Pension Fund accounts were included. Of particular interest was the comprehensive income and expenditure account. This showed how much services had cost in the year and where the money to fund those services had come from. The services were reported as reported to Cabinet in the outturn and quarterly budget monitoring reports. Some of the numbers may vary e.g. deficit of £25m, when the outturn said the Council were underspent. This was because of the notional transactions that must be included in Statement. In comparison with last year the deficit was smaller. The Statement also showed that the Council had paid more interest this year than last year, as the Council had done some refinancing of debt. The Council had a smaller loss on disposal this year and this was because the Council had had fewer large secondary schools converting to academy status. The net cost of services was slightly less than last year, reflecting the MTFS and the savings that were being made.

This year there had been prior period adjustments. This meant that the Council had had to go back and change some of the figures for 2016-17 from those in the 2016-17 approved accounts. The prior period adjustments were a combination of a change in accounting policy and errors. After the 2016-17 accounts were approved last year the Council received Entrust's final audited accounts and they had impaired some of their goodwill. As the Council had a 49 per cent share in Entrust, this needed to be reflected in their impairment. This adjustment is notional. It had not impacted on the cash or general balances that the Council held. There were other prior period adjustments and these were also notional e.g. adjustments for timing where schools have converted to academy status in a year and they have not been correctly reflected and accounted for in that year. Finally, where the Council had capital expenditure that did not add value to an asset. The line that it had been reported on had been changed.

The balance sheet showed the value of the Council's assets and liabilities and how the County Council was funded and how much was held in general balances and reserves at the end of the year. The main items being fixed assets and debtors and creditors, and borrowing and pension scheme borrowing. This latter figure was a hypothetical figure provided to the Council by the actuary and was a figure that the Council would have to pay out if an employee retired on 31 March. The reserves were split into usable and unusable (unusable is not cash). The usable reserves are cash and are the general balances that are held by the Council, earmarked reserves, some of which belonged to schools and some for other services that are set aside for specific purposes. This year the assets less liabilities had increased, there was a slightly reduced pension liability, and the assets - property, plant and equipment have increased by £100m. The Council had increased its usable reserves to £2.5m and general balances were £26m, an increase since the start of the year. The schools reserves had decreased slightly. The movement in reserves statements showed more detail. The Pension Fund accounts were shown towards the back of the Statement of Accounts. The Pension Fund produced a separate annual report. The cash for the Pension Fund was kept completely separate from the Council's cash. The Pension Fund's accounts had increased by 4.1 per cent, which was a positive outcome. As the audit was not quite concluded, the CFM reiterated the request that the Committee approve the Accounts, giving the DFR delegated authority to make any changes necessary in discussion with the Chairman and the external Auditors.

b) Statement of Accounts 2017-18

Members asked for an explanation of the increase in assets of £100m+ over the year. The DDF reminded Members that the total property, plant and equipment was £1.7bn so this was not a relatively massive increase. This arose as a result of the valuations being refreshed each year by the District Valuer, and also the Council had spent £120-£150m per year on its Capital Programme. A proportion of this will impact on the valuation.

Members referred to the fact that support services had overspent by £1.1m and this saving had now been removed from the budget and asked for an explanation. The DFR stated that this was due to the Council trying to renegotiate terms and conditions with the Trade Unions regarding the redundancy scheme. The Government were trying to renegotiate terms and conditions within the public sector and Cabinet took the view that it would be difficult to negotiate with the Trade Unions on a deal that would be detrimental to their members and there was a prospect in the medium term of the government making some changes. Members asked if it could be an aspiration to make these savings. The DFR stated that this was not in the current climate managerially deliverable.

RESOLVED: a) That the Members approve the 2017/2018 Statement of Accounts;
b) That the Committee approve the two management representation letters attached to the covering report;
c) That the Committee agree to give the DFR delegated authority to make any outstanding adjustments necessary to the Accounts in discussion with the Chairman of the Audit and Standards Committee and the external auditors

25. Report of those charged with governance (ISA 260)

a) Staffordshire County Council

Steve Clark, Ernst and Young, (EY) stated that there had been a significant shift in the timetable for the current year but they anticipated being able to sign the accounts within the timetable i.e. by 31 July. Mr Clark extended his thanks to the Finance and Resources team for their help. In regard to the audit a number of items had progressed since the report had been produced for the Committee. In terms of the key areas of audit focus, he anticipated issuing an unqualified audit opinion on the financial statements in the form at Section 3 of the report and value for money opinion before 31 July 2018. The DFR and Ernst and Young had concerns regarding the longer term financial standing and viability of the Council given the funding pressures that had led other upper tier local authorities into significant financial difficulty within a short space of time.

A number of audit adjustments had been identified in year. The only significant item that the Council had not proposed to adjust for at the present time was in respect of the pension valuation, an increase in the asset value of £8.175m. This had arisen for the first time as a result of the actuary making an assessment in December of what they forecast the year end position to be. The assets values had then increased in the three months from December to March. The Council had chosen not to adjust for this and Ernst and Young agreed with this decision. Mr Clark stated that this was not a Staffordshire specific issue and that some volatility was expected in the capital markets towards the end of March next year as we move towards Brexit and this may affect pension valuations at that time.

Vishal Savjani, EY, highlighted the key areas. In the Executive Summary the external auditors had identified the following risks.

Fraud in revenue and expenditure recognition. This was a standard risk that appears on all audits. E&Y were trying to focus their attention on the expenditure recognition of the Council, specifically the valuation of accruals and receivables in the accounts to ensure that the figures recorded in the balance sheet are recorded accurately. Tests had been completed and there were no issues that needed to be identified or highlighted to the Committee.
Mis-statements due to fraud and error. This is a standard risk that appeared on all audits. The focus was on non-routine journals at year end and any estimation techniques and any judgements made by management. Tests had been completed and the only adjustment that came out was one regarding £18.5m of capital expenditure which was considered to be non-enhancing and impaired in year, and should have been allocated against net cost of services.

Property, Plant and Equipment. The risk was around the change in valuation in year by the District Valuer and the Council's internal valuer. Tests had been carried out in year. Instructions and data were provided to the Valuer by the Council and EY had obtained the services of their own valuation experts to review the work of the DVO and their qualifications. EYs valuation specialist had reviewed the valuation methods and the conclusion was that overall the methods used where appropriate. The only area where there was concern was in regard to the valuation of schools, specifically the valuation of a playing field that had been valued inappropriately on a residential basis. As a result an adjustment had been agreed with management of £10.2m. These adjustments have been processed through the accounts. EY also identified some issues regarding schools converting to academy status that were highlighted in Section 4 and 7 of the report.
New General Ledger System. Work had been carried out on data migration to ensure that the data had been accurately transferred to the new system. IT specialists had been utilised and a minor control observation had been identified.
Pension Liability Valuation. This was an area of high estimation risk. Specialists had been called in to look at the assumptions that were used to ensure that the valuation on the balance sheet was accurate. As a result £8.175m had been identified which would not be adjusted as the values in the actual statement used were different to the final ones at 31 March, as explained earlier.
New Payroll System. IT specialists had been used and no issues had been identified in relation to the transfer of data from SAP to Integra.
Valuation of Entrust Support Services. The prior period adjustment had been made as a result of the impairment on receipt of the 2016 financial statements. The prior period adjustment had been reviewed and EY were satisfied that they had been correctly processed in the accounts.
Draft Audit Report. The highlight was that the audit opinion is unqualified and EY are satisfied with the Council's value for money arrangements.
Audit Differences. The summary related to the pension scheme asset valuation used by the pension actuary that resulted in an understatement of £8.175m. Members were asked to note this and there is a specific recommendation that no adjustment should be made as this has no material impact on the accounts and should not be processed in the accounts.

The key areas of audit differences were around property, plant and equipment.
Disposal of schools that converted to academy status. As a result of schools converting to academy status in 2017-18 there were £18.2m of assets that were disposed of relating to eight schools that had not been accounted for in the accounts. A review was undertaken of 2015-16 and 2016-17 to ensure that any disposals were accurately reflected in those years. This identified £17.5m that should be moved from 2017-18 to 2016-17 and £22m in 2016-17 that should be moved back to 2015-16. This was all recorded in the prior period adjustment.
Valuations in Schools. This related to the incorrect valuation of school land to the value of £10.2m.
Classification – the calculation of the gains/loss of disposal of property, plant and equipment incorrectly included the PFI life cycle costs of £3m. These had been reclassified to PFI liabilities.
Capital expenditure – this was a prior period adjustment.
Assets held for sale. A transaction had been identified that had not been processed correctly.

There were two further errors relating to **short term creditors** and **PFI.**
Value for Money Risks. Three risks were identified.
Medium Term Financial Strategy and the budget outturns. The Council had an underspend on the budget of £4.8m and a funding gap of £35m in 2019/20 and £37.5m in 2020/21 respectively and there are clear strands of work to be done in these areas to ensure that the budget gap is closed. A summary of the savings targets was detailed in the report.
Better Care Fund – EY had reviewed the arrangements. The conclusion was that there were adequate arrangements in place and the key performance targets had been met.
Entrust – EY had reviewed the arrangements and were satisfied that the contract has been updated and there was monitoring in place in respect of the contract. The Council needed to ensure that the contract continues to be monitored going forward and is delivering value for money.

Members stated that the value for money section was of particular concern and asked if EY could comment on the amount of deficit faced by Staffordshire County Council and asked if other authorities were facing similar challenges. Regarding Entrust, Members asked if there was any reason why Entrust was singled out, given that the Council had a number of similar contracts with other companies.

Stephen Clark responded that the 'ramping up' of debt was variable in authorities dependent upon how quickly authorities had taken action and what action they had taken. Staffordshire was not out of kilter with other authorities, however, there was a large savings to be made over the next three years. Concerns were expressed regarding the narrowing of time to make savings and the need to take urgent action. The matter relating to Entrust was as a result of the late adjustments to their accounts last year and the contract had not been singled out for any other reason.

RESOLVED: That Members gave approval to the Chairman to sign Appendix D, the management representation letter.

b) Staffordshire Pension Fund

Caroline Davies EY confirmed that there had been no change in scope from the risk identified in the report presented to the Committee in March 2018. An update in the materiality assessment had resulted in an updated threshold of just under £5m (adjustments made over that amount are reported to the Committee). In summary, subject to matters outstanding, EY intended to issue an unqualified opinion on the Pension Fund financial statements. The status of the audit had been set out at the time of preparing the report. A number of these statements were now in the completion stages. The review of the Pension Fund Annual Report, that is not subject to the same deadline, would be presented later in the year. The significant risks identified in the report were detailed.

Misstatements due to fraud and error – management override. This risk was mandated on every audit that EY carry out. There were no issues that had been identified to bring to the Members' attention.
New General Ledger System. The same system was in use for the Pension Fund and the work carried out on system migration from SAP to Integra also spanned the Pension Fund. There were no matters to bring to Members' attention.
Valuation of unquoted investments. This was in recognition of the often judgemental nature of these investments that were not often publicly available. Page 11 set out the balances that EY considered for level 3 investments. Details of the work undertaken by EY were given and EY concluded that no errors were found in these valuations at year end. There was a small uplift of £2m from the draft statements that fell within the reporting threshold.
Valuation of directly held properties. This is identified as a higher inherent risk in recognition of a number of assumptions and judgements and EY concluded that there was nothing that needed to be brought to Members' attention.

Page 18 of the report summarised the adjusted differences as part of the audit process. There were a small number of adjustments over the reporting threshold. None had an impact on the reported financial position of the Pension Fund and management had made the adjustments to the accounts.

Members stated that on the front page the report should be dated 30 July 2018.

With regard to the valuation of unquoted pooled investments, Members asked if a quarterly report should be available from the originator of the pool. The Head of Treasury and Pensions stated that these figures were unquoted as private equity was not publicly available on the stock market. The vehicles were a combination of values from managers and underlying fund managers. A quarterly valuation was available but there had been a delay in receiving it, so the latest value available was quoted and later updated.

EY thanked the Pension Team for their support in preparing their annual Audit results report.

The DFR reflected on the changes to the timetable for the production of the report at a time when there were significant changes taking place in the Council. He thanked his team, acknowledging that lessons would be learned, but paid tributes to the officers of the County Council and the external auditor partners for their hard work. The Chairman also congratulated staff on their efforts.

RESOLVED: That the reports of those charged with governance (ISA 260) be received.

26. Code of Corporate Governance 2018-19

The interim Head of Internal Audit and Financial Services stated that the Code of Corporate Governance had been presented following a refresh in June 2017 to take account of the CIPFA SOLACE framework 'Delivering Good Governance in Local Government published in April 2016.

The 2018 Framework had been updated to ensure that the Code was compliant with the seven core principles in the framework. Pages 54 onwards of the report described the core principles and the current arrangements that the Council had in place, together with an action plan that had been identified by the Corporate Governance Group to ensure that the Council continually reviewed the process. The actions were allocated to a responsible officer and monitored and an indicative date for completion was given. The Plan was monitored by the Corporate Governance Group and compliance would be monitored as part of next year's AGS review of effectiveness.

The document would be published on the intranet to ensure that staff were aware of this information and the requirements to comply with the detail included in the document.

With reference to the Action Plan 2018/19 column on page 54, Members asked what the "consideration of the value to support People Helping People" meant. The Head of Internal Audit and Financial Services stated that this was about how the Council could take the core principle A "Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law' and apply this to the agenda when working with volunteers.

RESOLVED: The Committee approved the Annual Governance Statement.

27. Strategic Risk Register

The interim Internal Audit and Financial Services Manager (IAFSM) gave a presentation to explain the key elements of the Corporate Risk Register (CRR), how it was developed and quality assured and how risk management fed into the overall governance arrangements.

Over time a number of risk categories had been developed and risk owners identified. Discussion and input took place with the risk owners about the risks and how they had been identified. There was discussion and challenge from the DFR and the Director of Strategy, Governance and Change and ultimately through the Corporate Governance Working Group which reported into the Senior Leadership Team. There were fourteen risk categories that were currently being reviewed to ensure they remain accurate. Categories 9 and 10 'Joint Finance' had been merged into one category. These were listed on page 72 of the pack with the inclusion of business continuity arrangements. Risk owners were listed on page 73. The risk owners were responsible for co-ordinating the identification, collection and production of their risk in their own area.

With reference to the Measurement of Risk, the risks were graded according the likelihood that the risk will occur and the impact that this would have on the organisation if it arose. CRR will only report to the Committee on high level risks with net risk scores of 15 and above. Risk Managers will manage those risks that score under 15.

A risk assessment model was detailed on page 75 of the report. This was kept under review. On a risk rating of 1-5 with a score of 1 indicating that there was a remote chance (likely to happen within 10 years) and a score of 5 indicating that a risk was highly likely to happen within a year. Risks were categorised according to the impact; health, safety and welfare; customer service; finance and reputation.

A matrix illustrating the impact of risk against the likelihood of risk was given on page 76 of the report. Risks in the red category would be included in the CRR. Managers were asked to keep medium or amber risks under review, and green risks were the lower risks. These were being regularly reviewed as low risks could be escalated to high risks.

The format used for reporting risks was described. Once the risk categories were identified and given in detail, individuals were asked to identify what current controls were in place. This fed into the risk score. This gave a risk score and details of specific actions that had been taken were detailed, and the date when mitigating actions had been completed. This led to a revised risk score being given.

The CRR were currently being updated and is a dynamic document that is kept under review. The IAFSM ran through the top ten risk areas with Members. These were MTFS pressures on service delivery/maintaining legality/legal risks whilst undergoing change; health and social care integration (including the STP); HR related risks (including capacity/workforce strategy); digital technology developments; business continuity planning and service provider failure; stakeholder engagement and community development; home and community care contract; information security including GDPR arrangements; children's system redesign and Section 53 (of the Countryside and Rights of Way Act) applications. This latter item had been added to the list at the request of the Chairman of the Countryside and Rights of Way Panel.

The internal audit top ten risk audits 2018/19 were assessed as:

1. Medium Term Financial Strategy – Delivery Plan
2. Digital Development Programme
3. Strategic Property Asset Management and Governance
4. Liberata Payroll System
5. Care Director (Adults' and Children's modules)
6. Adult and Children's Financial Services Review Programme
7. Home and Community Care Contract
8. Cyber Assurance – Data Breach Incidents & Response Plans/Patch Management
9. GDPR
10. Children and Families Systems Transformation: Family Support Contracts

These would be added to the Forward Plan and brought before the Audit and Standards Committee for consideration during the year.

The CRR would be developed with external partners. Consideration would be given to how often the CRR should be produced/refreshed and brought to the Committee, how to present the split between current and emerging risks. The link between the CRR and the Strategic Plan/Business Plan would be strengthened. Risk management would be embedded into the culture of the Council to include the monitoring and reporting of progress against mitigating actions. The Internal Audit Team would also develop the process for elected member engagement through the Audit and Standards Committee.

Members were asked if there were any top ten risk areas that had not been identified or on which they would like a detailed briefing.

Members asked if they should consider the commercial contracts that the Council has e.g. Entrust, Amey to consider if the Council was getting value for money. Reference was also made to the Children and Families Transformation System that had not taken place as quickly as expected. They asked if small or incremental changes such as the increase in the cost of energy were being picked up. They also asked if the risks of the impact of Brexit had been factored in and if significant investments in one company or service, that later failed e.g. Carillion, were considered.

The Chairman responded that the Chairman of the Corporate Review Committee/MTFS Working Group would pick up the value for money in regard to the Top Ten Risks, but further consideration should be given to those risks that just sit below the Top Ten Risks.

The DFR explained that the CRR was concerned with the strategic risks faced by the Council and this was in addition to how individual managers were dealing with risks on a day-to-day basis. It was considered that through this process most of the risks would be captured most of the time. These were reported through to their management teams. The Pension Fund takes higher risks as potentially there were greater gains, there were potentially greater risks.

RESOLVED: a) That the Chairman ask the Chairman of the Corporate Review Committee/Chair of the MTFS Working Group to consider if the Council was getting value for money from its commercial contracts
b) That the Internal Audit Top Ten Risk Areas be added to the Forward Plan

28. Financial Regulations

The interim Head of Internal Audit and Financial Services stated that there was a requirement to review and update the Financial Regulations on regular basis to ensure that they remain accurate and fit for purpose. A detailed review had been undertaken to reflect the changes that had occurred following the introduction of My Finance and MyHR financial systems, together with minor amendments reflecting changes to job titles of relevant officers. In line with Section 151 of the Local Government Act 1972, the Director of Finance and Resources was responsible for dealing with the Financial Regulations. The main areas of change in the Financial Regulations were in reference to Financial Regulation E and Financial Regulation F detailed and highlighted in the paper and a number of changes were made to the anti-money laundering strategy contained in Appendix 2 to reflect requirements of the new regulations, published in 2017.

RESOLVED: That the Committee recommends the County Council approve the revised Financial Regulations for inclusion in the Constitution.

29. Forward Plan

The interim Head of Internal Audit and Financial Services reminded Members of the items on the agenda for the next meeting. The Forward Plan included two additional meetings on 30 October 2018 and 29 January 2019. The Financial Regulations would now go forward to the next full Council meeting and the Annual Governance Statement

2017-18 would be presented to the Leader and Chief Executive for their signatures. The Top 10 Risk Areas would be added to the Work Plan.

RESOLVED: That the Work Plan be approved, with the addition of the Top 10 risk areas be added at a date to be agreed.

30. 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 paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below.

31. Exempt Minutes of meeting held on 13 June 2018

(Exemption Paragraph 3)

32. Limited Assurance Report - ICT Governance

(Exemption Paragraph 3)

33. Special Investigation – Throughcare Cash Payments

(Exemption Paragraph 3)

Chairman