

Minutes of the Audit and Standards Committee Meeting held on 14 September 2015

Present: Martyn Tittley (Chairman)

Attendance

Mike Davies (Vice Chair)	Philip E Jones
William Day	Caroline Wood
Michael Greatorex	
Derrick Huckfield	

Apologies: Brian Edwards, David Smith and Alison Spicer

PART ONE

1. Declarations of Interest

There were no declarations of interest on this occasion.

2. Minutes of the Meeting held on 30 June 2015

RESOLVED - That the minutes of the meeting held on 30 June 2015 be confirmed and signed by the Chairman.

Updates given in respect of the minutes of the previous meeting included:

Minute 3 – nationally further clarification was still awaited in respect of the impact on employment terms and conditions of the new regulatory requirements regarding the discipline and dismissal of the Head of Paid Service, Monitoring Officer and Chief Finance Officer.

Minute 5 – all of the missing mobile devices/ phones had been located and either returned to storage or reallocated to other members of staff.

3. Annual Governance Statement

Members considered the Annual Governance Statement 2014-15 that sets out what the County Council is responsible for, its governance framework, how effective it is and any significant governance issues. The significant governance issues highlighted included the large scale transformations to address continuing financial pressures, the challenges presented by the devolution agenda and the creation of a commercial and contract management team.

Members sought assurances around the robustness of our governance arrangements including the Council's value for money arrangements so that the Committee could fulfil its role of giving assurance to full Council. A question was also asked as to the extent to

which value for money was subject to any form of external challenge and the ability for any member of staff to raise concerns or report matters such as fraud.

In terms of value for money the Council's external auditors encompass this within the scope of their work. The Audit and Standards Committee have an important role in ensuring the effectiveness of the Council's governance systems. Member oversight extends beyond the Audit and Standards Committee with the MTFS Working Group having a role in investigating progress towards delivering a good and balanced budget and Corporate Review and the other Select Committees a role in monitoring performance and outcomes. In response to a question as to whether there was an appropriate balance between value for money considerations and community impact such as protecting vulnerable groups it was stated that individual decisions were subject to community impact assessments but that the role of Audit and Standards was the appropriate focus on governance, value for money, expenditure and costs.

In terms of the ability of staff to report instances of fraud or flag up concerns then the Council did have an established whistleblowing policy that had been shared with staff and was accessible via the intranet. It is also included as part of the induction process for new employees.

In terms of progress around devolution then the Director of Finance and Resources highlighted that the Leader and Cabinet were in ongoing discussions with counterparts in Stoke on Trent, the Districts and Boroughs and Health colleagues to consider what offer may best meet the needs of Staffordshire and Stoke on Trent.

It was agreed that questions in regard to overspends in People would be picked up in the following agenda item.

RESOLVED – that the Committee approve the Annual Governance Statement.

4. Statement of Accounts

Members received a training session prior to consideration of the Statement of Accounts 2014-15. The Statement of Accounts had been signed off by the Director of Finance and Resources by the end of June and the audited accounts needed to be signed off by the 30 September. These timescales would become tighter in 2017-18 with the accounts being signed off by the end of May and audited and published by the 31 July, in line with other sectors. The accounts are prepared in line with the Code of Practice on Local Government Accounting. Members' attention was drawn to the comprehensive income and expenditure statement, balances and key aspects of the Pensions Fund.

In response to a question it was clarified that the Group Accounts incorporated the accounts relating directly to the County Council's interests in Entrust as a joint venture. Entrust were still required to produce separate accounts in their own right which would be lodged with Companies House.

Members sought clarification as to the underspend in the Place Highways budget. It was explained that this was as a consequence of a one off payment of £800,000 relating to the ability to charge for highway searches linked to individuals purchasing a house.

Given the timing of the payment it wasn't appropriate to assume that this additional income would automatically be assigned to highway repair works.

It was explained that in terms of the Revenue Budget planned spend was £505.3 million on providing services including a £9.1 million contribution from reserves. £30.4 million of savings were delivered over the period. Assets less liabilities were £293.4 million which was a decrease of £180.1 million. The decrease was in large part a consequence of an increase in liabilities associated with the Pension Fund. General Balances had decreased by £1.1 million to £14.8 million. It was clarified that there wasn't a national minimum figure for reserves but the Council did adhere to good practice principles and levels of reserves were reviewed annually as part of the MTFs process. As part of the MTFs there was a clear plan for retaining an appropriate level of reserves and replenishing them when there has been need to call on reserves in past years.

Members sought assurances around the shift in the balance between assets and liabilities over the past 3 years. Officers highlighted that the Council would utilise cash balances rather than taking on debts relating to short term investments. Given the current low interest rates it made sense to utilise the Council's cash reserves that may only be attracting 0.5% interest rather than take on debts that may attract 3% interest or higher. Overall resources would continue to reduce in the public sector and the challenges would continue in terms of living within our means. The Council had made a conscious decision to invest in Health and Care to deal with the extra pressures arising from changing demographics in Staffordshire and the knock on effects of service demand.

In response to a query as to whether we were getting value for money from our Pension Fund Managers it was highlighted that the performance of Fund Managers is under constant review. An exercise for the three year period ended 31 March 2014 had shown that Active Equity Fund Managers had added £48 million to the value of the Fund, net of their fees. The mix of Fund Managers was important to ensure money wasn't being invested in too few sectors. The Fund did need to consider the costs involved in changing Fund Managers and hence needed to be cautious of changing to quickly.

In terms of the Better Care Fund it was clarified that the risks around the Fund weren't relevant to the 2014-15 period covered by these accounts. Assumptions had been made as part of the MTFs and negotiations were continuing with health partners to ensure delivery against the Fund that had been agreed to.

RESOLVED- That the 2014-15 Statement of Accounts and letter of representation from the Director of Finance and Resources be approved.

5. Report to those Charged with Governance

Richard Bacon of PricewaterhouseCoopers introduced the findings of the audit undertaken by the County Council's external auditors as a consequence of a plan that had been agreed by the Committee in March 2015. The expectation was that it would be possible to issue an unqualified audit opinion once the last actions in the audit plan had been concluded.

It was highlighted that the County Council's MTFs and savings plans were better advanced than many other local authorities. The robustness of plans to address predicted shortfalls was also unusual when compared to many other local authorities. The Council had a strong track record of delivering savings which put it in a strong position going forward. The challenges of delivering savings at a time when demand for services such as Health and Care provision was also recognised.

This was the last audit that would be undertaken by PricewaterhouseCoopers prior to the change in external auditors. Mr Bacon highlighted that the support and responsiveness of officers of the Council and the seriousness with which Members have challenged the assumptions made are matters that the Council should take credit for. He pointed out that the clearance meetings in regard to the accounts were the earliest of any council in the Midlands, a matter the Council should take credit for in terms of co-operation and support to the process.

Member sought assurances around the changes in pension liabilities. It was explained that the balance sheet reflected how much the Fund was worth and what was being paid out. The gap would be addressed through pension contributions of Fund members. It was important to note that the figures were based on the Fund having to pay all pension contributions on the 31 March which is a theoretical measure. The Pension Fund is performing. The gap relates to the theoretical assumption of all Funds needing to be paid out on a single day. If interest rates were at their historic norm then the gap would be significantly reduced. The Fund remains sustainable over the medium term.

A question was asked as to whether the company with responsibility for the Waste PFI would or could make a claim as a consequence of the manipulation of national interest and currency rates by the large national banks and if so would the Council be entitled to a proportion of such a claim. Officers were unaware of any intention for such a claim to be made.

A Member also highlighted the importance for the Council's Select Committees and Audit and Standards in monitoring the impact of any unintended consequences of making savings in one area leading to pressures and increased costs elsewhere including with partners or the voluntary and community sector.

The Director of Finance and Resources thanked Mr Bacon and his team on behalf of Members and officers for the professional way they had undertaken their role over the previous 9 years. They had delivered robust challenge back to the Council that had ensured as an organisation the Council remained vigilant and on its toes. Importantly the team understood the business that they were auditing which made the process simpler and more constructive.

RESOLVED – that the Committee accept the findings of the external auditor as set out in the report.

6. Work Programme for the Audit and Standards Committee/ Member Training Update

The Chair of the Corporate Review Committee highlighted that there had been a referral from his Committee to Audit and Standards regarding the Penda partnership.

Member training updates would continue as part of Committee meetings.

RESOLVED – that the work programme be noted.

7. Internal Audit Draft Organogram

The Chairman thanked officers for presenting the draft organogram for the service. He highlighted an ongoing concern over the vacant posts and the capacity of the team to continue to ensure there was ongoing assurance of the governance and assurance systems of the County Council as the way in which services were commissioned and delivered became ever more complex. The shape of the audit function for 2018 and beyond needed to be thought about and planned for.

Assurances were given that the duties of the vacant posts were being covered and the posts would shortly be advertised.

RESOLVED –that the organogram be noted.

8. Proposed Changes to the Constitution – Authority to Appoint Directors and Shareholders of Companies

The report set out changes to the delegations of the Leader of the Council and Chief Executive in terms of the appointment of Board Members and Shareholders of companies which the County Council is to be involved with. This change gives authorisation to the Leader in consultation with the Chief Executive to appoint officers to such posts.

RESOLVED – That the changes to the Constitution be recommended to full Council for approval.

Chairman