

## Minutes of the Audit and Standards Committee Meeting held on 21 March 2016

Present: Martyn Tittley (Chairman)

### Attendance

Derek Davis, OBE	Philip Jones
Mike Davies (Vice-Chairman)	Robert Marshall
Brian Edwards	David Smith
Michael Greatorex	Diane Todd
Derrick Huckfield	Caroline Wood
Kevin Jackson	

**Apologies:** William Day, Alison Spicer and Conor Wileman

### PART ONE

#### 12. Declarations of Interest

Mr Kevin Jackson recorded his wife's membership of the Staffordshire Pension Fund.

#### 13. Minutes of the Meeting held on 7 December 2015

RESOLVED That the minutes of the meeting held on 7 December 2015 be confirmed and signed by the Chairman

#### 14. Information Governance Annual Report

Members considered the Information Governance Annual Report noting the work ongoing to manage the County Councils information assets with regard to legislative and regulatory requirements. Compliance with the various and complex legal and regulatory information landscape was monitored through national commissioner roles with powers to impose monetary and custodial penalties on organisations and individuals who breach the rules.

Nationally, the number of Freedom of Information requests remained high and the authority sits well within the benchmark for an acceptable service in response.

It was reported that the County Council was dealing with an increasing number of cyber-attacks. The Information Governance Unit recorded all reported security incidents and investigated where necessary.

The Corporate Governance Group, Information Governance Unit and Senior Information Risk Owners (SIRO) support the provision of governance of information requirements. The role of a SIRO is to foster a culture of best practice in how the organisation uses, shares and keeps information.

The County Council is entitled to use the Regulation of Investigatory Powers Act for carrying out covert surveillance. All such applications have to be approved by a Magistrate.

Members were surprised that Magistrates did not receive any specific training to make judgements on applications for surveillance and they discussed how officers dealt with frequent and repeated vexatious complaints.

RESOLVED That the annual report of the Information Governance unit be received.

## **15. Annual Statement - Members Standards**

Members noted the position in respect of complaints against elected members of the County Council between May 2015 and February 2016.

The Members' Code of Conduct sought to ensure members observe the highest standards of conduct when carrying out their role incorporating the seven 'Nolan' principals identified by the Committee on Standards in Public Life.

Three complaints and the associated enquiries were detailed in the report.

RESOLVED That the report in respect of Complaints against Members of the County Council be received.

## **16. Protecting the Public Purse**

Members received a presentation: Fraud Awareness Session, from Ms L Andrews, Chief Internal Auditor.

The presentation set out to raise awareness amongst members of what constitutes fraud, how it can arise and why it is important to mitigate the on-going threat. Significant sums of money (£20m in the public sector) were estimated to be lost annually which would otherwise have been spent on public services. Furthermore, it was believed that only 30% of fraud within local government was detected.

It was important to distinguish between genuine fraud and human error – carelessness or complacency which could be reduced by providing staff with training and by tightening up processes and procedures.

There were five key principals within the CIPFA Code of Practice to manage the risk of fraud and corruption and Ms Andrews highlighted some national initiatives which were aimed at tackling this problem, particularly the Local Government County Fraud and Corruption Strategy. Members noted the recent appointment within the Internal Audit Team of a specific counter fraud specialist to drive this agenda forward.

Members discussed the challenges of detecting fraud in a commissioning environment. One member asked to what extent the County Council was a victim. Comparable with similar local authorities, it was estimated that the County Council lost approximately £250,000 in fraud. Every incident detected was used as a learning opportunity and controls and monitors were tightened.

RESOLVED That the presentation: Protecting the Public Purse Fraud Awareness be received.

#### **17. External Audit Plan 2015-16**

Mr Steve Clarke and Mr Mark Sturridge from Ernst & Young, External Auditors, presented the County Councils Audit Plan 2015/16.

The Plan set out their intent to provide an audit opinion on the financial statements of the County Council and to provide a statutory conclusion on the Councils arrangements to secure economy, efficiency and effectiveness. The Plan describes their approach to investigating the financial statement risk areas identified.

At this planning stage, Ernst & Young had identified some significant matters as relevant for further investigation in the year end audit, namely, Management Override; Expenditure Recognition; Accounting for the Waste to Energy PFI; and, Failure to Deliver Savings required 2016/17 to 2018/19. In his capacity as Chairman of the MTFS Working Group, Mr P Jones welcomed a robust approach to scrutinising plans in place for efficiency savings. Mr Sturridge confirmed that External Audit identified significant pressures and risks around the MTFS and it was for the County Council to determine how to conduct their business in response in order to achieve a resilient MTFS.

Members discussed whether a nominated Cabinet Member with a specific remit to monitor finances but without a portfolio would lend transparency and integrity to performance management in financial terms.

Members shared their concern over Entrust and notwithstanding that it is an independent company, asked whether the arrangements for scrutiny were sufficiently robust.

RESOLVED That (a) the County Councils Audit Plan 2015/16 be approved;

(b) a letter be sent from the Chairman of Audit and Standards Committee expressing that committees recommendation for consideration of the appointment of a Cabinet Member without portfolio, to act as a gatekeeper for the County Councils finances; and,

(c) the arrangements for scrutinising Entrust be investigated.

#### **18. Staffordshire Pensions Fund External Audit Plan 2015-16**

Mr Steve Clarke and Mr Mark Sturridge from Ernst & Young, External Auditors, presented the Staffordshire Pension Fund Audit Plan 2015/16.

The Plan set out their intent to provide an audit opinion on the financial statements of the Staffordshire Pension Fund and to provide an opinion on the consistency of the Pension Fund financial statements.

As part of their initial analysis, the external auditors identified the following two external risk areas: Investment Reform and Challenging Market Conditions. In terms of Financial

Statement Risks, they have highlighted the risk of management override and less significantly, the valuation of complex investments.

RESOLVED That the Staffordshire Pension Fund Audit Plan 2015/16 be approved.

**19. Work Programme for the Audit and Standards Committee 2016-17**

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

**20. 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.

**21. Internal Audit Reports - Limited Assurance Review**

Exemption paragraph 3

Members received a report summarising the results of an Internal Audit review of the systems, controls and risks relating to the administration and control of the processes in place for dealing with those aspects deemed to have limited assurance. Three Limited Assurance reviews related to Settlement Agreements; Oracle Database Security; and Independent Foster Agencies – Contract Management.

Members discussed the detail of the reviews and were assured that in each case satisfactory progress was being made to rigorously address the areas of risk identified by Internal Audit.

**Chairman**