

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 14 January 2015 commencing at 2.00 pm and finishing at 4.40 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair
Councillor Sandy Lovatt (Deputy Chairman)
Councillor Jamila Azad
Councillor David Bartholomew
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Dr Geoff Jones
Councillor Stewart Lilly (In place of Councillor Simon Hoare)
Councillor Charles Mathew (In place of Councillor Tim Hallchurch MBE)

By Invitation: Maria Grindley and Alan Witty (Ernst & Young).

Officers:

Whole of meeting Lorna Baxter, Chief Finance Officer; Ian Dyson, Chief Internal Auditor and Deborah Miller (Chief Executive's Office).

Part of meeting

Agenda Item	Officer Attending
5	Steve Munn, Sue Corrigan and Paul Lundy (Corporate HR); Martyn Ward (ICT);
6	Lewis Gosling (Finance);
8	David Illingworth (Finance)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

1/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology from	Substitute
Councillor Tim Hallchurch	Councillor Charles Mathew
Councillor Simon Hoare	Councillor Stewart Lilly

2/15 MINUTES

(Agenda No. 3)

The Minutes of the Meeting were approved and signed subject to the following amendments:

- (i) Add Dr Geoff Jones, Co-optee under those present;
- (ii) Minute 62/14 4th paragraph to read as follows:

“...During debate, Councillor Bartholomew moved and Councillor Hoare seconded (supported by Councillor Hannaby)....”

Matters Arising

Minute 56/14 – Councillor Bartholomew questioned why, given the resolution of the Committee, had the actual report going forward to Council still contain officers on the panel for Appeals. Mr Dyson undertook to seek a response for Councillor Bartholomew.

Minute 61/14 - Councillor Bartholomew stated that he had not received a response to his request for confirmation on the accuracy of a statement in relation to contract managers in the Annual Governance Statement Actions. Mr Dyson responded that he thought a response had been sent but would check, whilst confirming that the response given at the Committee had been correct.

3/15 CORPORATE GOVERNANCE LEADS - PRESENTATIONS TO AUDIT & GOVERNANCE

(Agenda No. 5)

The Audit & Governance Committee had asked to be given presentations from each of the eleven Corporate Leads that provided assurance on an issue for governance purposes during the year so that they could better understand each area, particularly focusing of the assurance process of:

- How Corporate Leads assure themselves (and then directors) that things are well within their areas; and
- How Leads decide that issues need to be mentioned for ‘Action’; and
- How leads ensure that their area complies with regulations and the law.

The Committee received presentations from Corporate Leads on Human Resources and Health & Safety and Information, Communication & Technology. Sue Corrigan, County HR Manager outlined the Human Resources assurance processes carried out

to ensure human resources was adequately managed through its requisite legal framework, policies and toolkits to ensure that staff were kept well and happy.

Mr Lundy then took the Committee through the Health & Safety Management systems that were in place to ensure the Council had competent advice, including the strict controls around how the Council followed up incidents in proportion to the incident.

In response to questions from members regarding the Council's liability for health and safety for the Council's providers/contractors, Mrs Corrigan confirmed that the Council did have a duty of care to ensure the health & safety of contractors and that all contracts had a framework to ensure that there was adequate cover.

In response to questions raised regarding joint arrangements with Hampshire, She further confirmed that strong joint Governance arrangements through a joint board were in place to ensure arrangements were fit for a smooth transition.

The Committee expressed the importance of school representation on the board.

Mr Ward, ICT Service Manager then gave a brief presentation on the systems and mechanisms to ensure internal control and for ensuring that the Council had efficient, reliable and secure access to ICT Systems and Information through a comprehensive suite of ICT Policies; Industry Recognised Operating Practices for IT Service Management (ITIL); Service Level Agreements; ICT Service Management System for Operations; ICT Service Change Register for Projects and the Team, Service and Directorate Risk Management Process.

Members of the Committee expressed concern that many Members of the County Council had not signed the acceptable use of ICT policy agreement. They also questioned whether agency and interim staff signed the policy. Mr Ward replied that this issue had been identified and was being dealt with. New arrangements were also in place to ensure all new staff signed the agreement when they joined the organisation.

In response to a question regarding interrelationships with other organisations, Mr Ward reported that the County Council had recently subscribed to a secure email system used by local authorities, Police and NHS. The Council could also operate as a closed network should there be a breach to security.

4/15 TREASURY MANAGEMENT STRATEGY

(Agenda No. 6)

The Committee considered a report (AG6) which set out the Annual Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 in compliance with the CIPFA Code of Practice. The report set out the borrowing and investment strategies for 2015/16 and the relevant background information.

Mr Gosling reported that the borrowing strategy in 2015/16 outlined the requirement to prudentially borrow on behalf of the Oxfordshire Local Enterprise Partnership for

project funding from 2015/16 onwards. This would be repaid through the retained business rates of the Local Enterprise Partnership.

He further reported that maturing debt would continue to be repaid upon maturity and would not be replaced. There was £6m of PWLB debt scheduled to be repaid in 2015/16. The full borrowing strategy was set out from paragraph 46 of the report.

A recent development, not included in the report, was the announcement that HM Treasury were taking the necessary legislative steps to abolish the Public Works Loan Board (PWLB) over the coming months. It had been stressed that this development was being taken to address the governance of the PWLB and that it would have no impact on existing loans held by local authorities or the government's policy on local authority borrowing. Borrowing from the successor was expected to be as straightforward as it was currently.

A consultation document was expected in due course and the treasury management team would continue to monitor the situation.

The Annual Investment Strategy for 2015/16 was included from paragraph 70 of the report. The strategy was based on an average base rate of 0.625% and assumed an average return of 0.7%.

Three new instruments have been added to the strategy - reverse repos, covered bonds and registered providers. An explanation of each was provided from paragraph 79. These would provide greater options for diversification in response to the upcoming implementation of banking reform legislation, which would result in bail-in risk for unsecured investments.

In response to Members' questions regarding the level of change in Policy, Mrs Baxter reported that the biggest change was the impact of the EU bail-in provisions and the addition of the new instruments allowed the Council the flexibility to respond to the impact of potential changes in ratings given to banks.

In response to a statement from a Member regarding the importance of non-specific investments being ethical, Mrs Baxter stated that she has a fiduciary duty. It was her responsibility to maximise returns rather than whether investments were ethical or not.

Members expressed concerns regarding the County Council becoming the accountable body for the LEP by default and the associated risks and over the monitoring of the LEP and how this was being done. A Member further questioned whether the Growth Board was a public meeting.

Mrs Baxter reminded the Committee that she was bringing an item to the February Meeting of the Committee on the accountability of the LEP where the concerns raised would be covered and that the Growth Board was a public meeting.

Councillor Mathew moved and Councillor Lilly seconded the following Motion:

“to write to the Leader of the Council to convey its concerns regarding the ability of the Growth Board and Local Enterprise Partnership to take on liability that we have no control over but for which we have liability (especially in light of term 6.2 (Quorum & Safeguard) in the draft terms of reference for Oxfordshire Growth Board.”

Following debate, the motion was put to the vote and it was carried by 6 votes to 3.

RESOLVED: (by 6 votes to 3)

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6.0 Quorum & Safeguard

“6.2 Where the effect of a particular proposition, if adopted by the Committee, would be to give rise to contractual or financial implications for any constituent authority, then a protocol will be established where the expectation would be that the vote of the member appointed by that constituent authority, in favour of the proposition, would be required. In respect of other matters, all other voting will be on a normal majority basis. “

5/15 INTERNAL AUDIT UPDATE, INCLUDING 2014/15 PLAN PROGRESS REPORT

(Agenda No. 7)

The Committee considered a report (AG7) which outlined progress since the last Internal Audit report was presented to the Committee in September 2014 including measures to alleviate significant resourcing pressures estimated to be equivalent to two FTE.

Mr Dyson reported that the in-year resource deficit had been reduced to 270 days through outsourcing audit days from Hampshire County Council, and through assurance based risk management days from Zurich, the County Councils insurers.

Overall the total audit days being delivered had reduced from 1141 days to 870 days. In addition to the reduced resources there had been pressures on the available resource that had also required changes to the original planned activity; Up to 8 December, 63 days had been spent on counter-fraud, mainly on reactive investigation activity; and, there were internal performance issues to be addressed including overruns on planned audits.

As a result, there were three areas that were no longer going to be subject to audit this year, or where the audit methodology had been adapted to significantly reduce the number of days:

Feeder Systems - It was originally intended that an audit of all the financial feeder systems would be undertaken. This had been removed from the audit plan for this year. Assurance on these systems would be taken from the Finance Business

Partners who provided an annual assurance statement to the Chief Finance Officer on the systems operating in their Directorate; Internal Audit would be testing the reconciliation controls for transfer of data from the feeder into SAP, as part of the audit of the Main Accounting System.

Schools - It was originally intended that thematic financial audits across a sample of school would be undertaken. Assurance would now be taken, as in previous years, from an audit of the Management Accounting (Schools) team, and the oversight they have over financial management in schools.

Governance - In recent years Internal Audit had undertaken a programme of governance audits testing the key controls operating corporately and within the Directorates, including targeting some specific teams/establishments. This work had contributed to the Directors' Annual Assurance Statements. The methodology was changing this year in order to reduce the number of audit days; a risk assessment template would be submitted to all direct reports to Deputy Directors asking them to self-assess the risk of each of the key governance systems in their service. The risk assessment would then be followed up with a controls assurance interview with Internal Audit, who would also seek evidence to support the management responses. At the end of the interviews, an assessment of the adequacy of the controls would be agreed between the Manager and Internal Audit, together with an action plan. The results would then be presented to the Deputy Directors, and then to the Director. Committee would receive a report showing the outcomes across the Council.

For 2015/16 the position was stronger regarding resources. A Principal Auditor was scheduled to return from maternity leave before July 2015; internal resource would be prioritised for planning to OCC and Thames Valley Police. The resourcing strategy with OCC and Buckinghamshire County Council will not be dependent on the sharing of resources (with the exception of the Chief Internal Auditor). The actual resourcing plan will be finalised towards the end of March 2015.

A member expressed concern that the Highway contracts had been removed from the plan due to concerns about slippage on contracts and value for money.. In response, Mr Dyson confirmed that in Audit terms there were no issues of concern presently and that slippage and value for money were performance issues.

RESOLVED: to:

- (a) approve the revised Internal Audit Plan; and
- (b) commission the Monitoring Officer to undertake the review of the Effectiveness of Internal Audit.

6/15 AGS ACTIONS PROGRESS REPORT

(Agenda No. 8)

The Committee had before them a report (AG8) which updated the Committee on progress against the six Annual Governance Statement Actions for 2014/15.

Mr Illingworth introduced the contents of the report highlighting progress made since the last report November.

A Member questioned the cost to the Council of the Chief Finance Officer and the Solicitor of the Council providing Section 151 and Monitoring Roles to the Growth Board.

In response, Mrs Baxter reported that she would cover her responsibilities as Section 151 Officer to the Growth Board in her briefing to the Committee in February on the Accountability of the Local Enterprise Partnership, but stated that the benefits to the County Council far outweighed the cost of her time.

RESOLVED: to note the progress on the AGS Actions.

7/15 ERNST & YOUNG

(Agenda No. 9)

The Committee considered the Local Government Audit Committee Briefing Paper (AG9).

Mr Witty introduced the paper. In relation to Government and Economic news, Mr Witty drew the committee's attention to the predicted funding gap by the end of 2015-16, of which £1.9 billion related to Adult Social Care.

Referring to page 83 of the report (Future of Local Audit) members expressed concern over the government proposals to bring the deadlines forward and over who would opt in to the sector led procurement arrangements.

Mr Grindley responded that a number of organisations would find the new deadlines extremely challenging and that Ernst & Young had put forward that view during consultation.

Referring to page 84, Mr Dyson highlighted the new arrangements around NFI checklists and suggested that the Committee debate the whole issue at a future meeting of the Committee.

RESOLVED: to note the report.

8/15 AUDIT WORK GROUP REPORT

(Agenda No. 10)

The Committee considered a report (AG10) which summarised the main business items arising at the most recent meeting of the Audit Working Group on 11 December 2014 which were as follows:

Adult social Care IT System project
Review of CEF and EE Risk Management Process
Risk Management Update
Work Programme

Ms Kate Terroni, Deputy Director Joint Commissioning attended to give a brief update to the Committee on the current status of Adult Social Care It System project.

A full report would be brought to the committee at its February Meeting. She reported that, following on from concerning comments received in relation to the Highlight report, progress had been made and that there were now excellent people in place. However, some holes still remained around the structure which and this was being addressed. There was now further clarity around the structure, including a smaller board and stakeholder group, a share point and an up to date risk register which electronically created a highlight report for boards review.

RESOLVED: to note the report.

9/15 COMMITTEE WORK PROGRAMME 2015

(Agenda No. 11)

The Committee considered its Work Programme (AG11).

RESOLVED: to adopt the Work Programme as set out below

Wed 25 February

SCS LEAN and IT system update (Kate Terroni)
Audit Committee Annual Report to Council 2014 (David Illingworth)
Council request to look at Demographics of Council. (Peter Clark)
Update on Hampshire Partnership (Lorna Baxter)
NFI Audit Committee Checklist (Ian Dyson)
Audit & Governance Annual Report to Council

Wed 22 April 2015

Internal Audit Services – Internal Audit Strategy & Annual Plan
Update on Hampshire Partnership (Lorna Baxter)
Review of Effectiveness of Internal Audit (Peter Clark)
External Auditors Progress Report (EY)
External Auditors Grant Claim Report (EY)

Wed 1 July 2015

Update on Hampshire Partnership (Lorna Baxter)
Annual Governance Statement - 2013/2014 (David Illingworth)
Annual Report of the Monitoring Officer (Peter Clark)
Annual Report of the Chief Internal Auditor (Ian Dyson)
Statement of Accounts 14/15 (Lorna Baxter)
Treasury Management Outturn 2014/15
Fire & Rescue Service Statement of Assurance 14/15
Progress Report -EY

16 September 2015

Final Accounts 14/15 (Lorna Baxter)
Local Government Ombudsman's Review of Oxfordshire County Council (peter Clark)
Annual Results –EY
Internal Audit Plan – Progress report (Ian Dyson)
RIPA (Richard Webb)

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18 November 2015

Annual Letter (EY)
Treasury Management Mid Term Review (Lewis Gosling)
Annual Governance Statement – Action Plan Progress

January 2016

Treasury Management Strategy (Lewis Gosling)
Internal Audit Plan Update and Progress

..... in the Chair

Date of signing 2015