

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 22 April 2015 commencing at 2.00 pm and finishing at 5.10 pm.

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair  
Councillor Sandy Lovatt (Deputy Chairman)  
Councillor Jamila Azad  
Councillor David Bartholomew  
Councillor Yvonne Constance OBE  
Councillor Jenny Hannaby  
Councillor Nick Hards  
Councillor Roz Smith  
Councillor Ian Hudspeth (In place of Councillor Tim Hallchurch MBE)

**Non-voting Member:** Dr Geoff Jones

**By Invitation:** Mrs M Grindley and Mr A 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**

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting ][the following additional documents:] 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.*

### 18/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology From	Substitute
Councillor Tim Hallchurch	Councillor Ian Hudspeth

## **19/15 MINUTES**

(Agenda No. 3)

The Minutes of the Meeting held on 25 February 2015 were approved and signed subject to the following amendment:

Minute 10/14 (Minutes)

Add to the end of the second paragraph..."Councillor Bartholomew thanked Mr Watson for his response but felt that it did not deal with the substantive point."

Matters Arising

Minute 13/14 (Council Request to look at Demographics of Council)

Councillor Bartholomew queried whether the County Solicitor & Monitoring Officer had written to all members to seek volunteers for a cross party working group. In response, Mr Watson confirmed that the County Solicitor & Monitoring Officer had not yet written to all members but that it was scheduled to happen in the next couple of weeks.

Minute 17/14 (Urgent Business – Chief Executive & Head of Paid Service – Next Steps)

The Committee noted that in the event their resolution in relation to this matter was superseded by the Decision at Full Council to rescind the decision of removal of the post of Chief Executive and that at present there was no further action.

The Committee further noted that the issue had not gone before the Committee prior to a decision being taken at Full Council and that it was within the remit of the Committee to have an overview of the governance arrangements of the Council.

**RESOLVED:** to ask the County Solicitor and Monitoring Officer to ensure that any future decisions on this matter come before the Audit & Governance Committee prior to any decision being taken at Full Council.

## **20/15 Q4 PROGRESS REPORT 2014/15 AND INTERIM INTERNAL AUDIT STRATEGY 2015-16**

(Agenda No. 5)

Ian Dyson, Chief Internal Auditor, presented the Internal Audit progress report for 2014/15 and the Interim Internal Audit Strategy for the first quarter of 2015/16 to the Committee. He advised the Committee that it was an interim strategy as the structure of the finance team, including the role of internal audit and risk management functions, was currently under review.

Councillor Bartholomew asked Mr Dyson whether he had confidence in the decision to remove contracts and procurement from the Audit Plan. Mr Dyson responded that the removal of contracts from the Plan was resources led and that, were the

resources available, he would expect contracts and procurement to be part of the Plan. Mr Dyson explained that, due to the large numbers of contracts in place, the focus from an audit point of view had shifted to looking at the structures in place around how the Council enters into contracts.

With regards to paragraph 13, Page 12, Councillor Smith queried how the high number of returns from the National Fraud Initiative (NFI) that were recommended to be looked at would be prioritised and how the Council compared to other County Councils.

Mr Dyson stated that the NFI work was not carried out by the Council but that the team sought to identify individuals from within the organisation from the returned matches. He also explained that a large number of the returns related to issues within residential care which could be put down to timing. Councillor Hannaby expressed her concern that if, for example, a patient was taken from residential care to hospital and the Council was not informed, that contracts were still paid.

Mr Dyson stated that he did not know how OCC compared to similar authorities, but would seek information on how the Council compared to Buckinghamshire County Council. Mr Witty explained that, in the past, the Audit Commission report on fraud initiative would provide comparative information and that he was hopeful that the Home Office would do the same.

Councillor Smith suggested that the proposed performance indicator for the percentage of management actions implemented (Annex 3, Page 35) be increased to 100% rather than 90%

Mr Dyson stated that 90% was a good standard but agreed that it would be a good idea for the proposed performance indicator to be put at 100%.

Members declared that they would note the Interim Internal Audit Strategy, rather than approve it, as it appeared as more of a review.

**RESOLVED:** to

- (a) note the progress with the 14/15 Audit Plan and the outcome of the completed audits;
- (b) note the Interim Internal Audit Strategy for 2015/16 and the Q1 Plan;
- (c) note the changes made to the proposed performance indicators 2015/16; i.e. to have a target of 100% of all management actions implemented, rather than 90%.

**21/15 SCALE OF ELECTION FEES AND EXPENDITURE 2015/16**

(Agenda No. 6)

The Committee considered the report which identified the need for the Council to set a scale of election fees and expenditure for the holding of any by-elections of County Councillors that may be called during 2015/16.

Glenn Watson, Principal Governance Officer, explained that a review had been undertaken last year and, following consultation with the District Councils, the figures suggested in the report have remained the same.

**RESOLVED:** to approve the Scale of Expenditure for the financial year 2015/2016, as shown in Annex 1 of this report, for the election of County Councillors and any other local referendums.

## **22/15 AUDIT & GOVERNANCE ANNUAL REPORT TO COUNCIL**

(Agenda No. 7)

The Committee had before them the Chairman's Annual Report of the Audit & Governance Committee (AG7) which was to be presented to Council in May.

In introducing the report, Councillor Wilmshurst thanked Mr Dyson for his work on the Committee and working group over the last 12 months.

**RESOLVED:** to forward the report to Full Council for consideration.

## **23/15 ANNUAL GOVERNANCE STATEMENT - ACTIONS**

(Agenda No. 8)

The Committee considered a report (AG8) which set out details of the Council's governance arrangements following the Committee's agreement of the Council's Annual Governance Statement (AGS) for 2013/14 in July 2014.

The AGS listed 6 'Actions' that were planned to improve governance, for implementation in 2014/15. The report considered whether the 6 Actions have been completed or whether more work will be needed on them in 2015/16.

With regards to Business Continuity, Councillor Bartholomew enquired whether lessons had been learned from the fire at the offices of South Oxfordshire District Council.

David Illingworth, Senior Financial Advisor, stated that he had been asked to look at the issue, that there had been communication between the authorities, and agreed that it was a good opportunity for a real life case study.

Dr Jones pointed out that certain areas of work within the 'Actions' would be on going and by their nature could never signed off. Mr Illingworth accepted the point that work would be on going.

With regard to the externalisation of Human Resources and Finance Services in Annex 2, Page 67, Councillor Smith expressed concern that OCC staff were unable to relocate to Hampshire and as a result the services would be losing local knowledge. She also questioned which services and functions would remain 'Retained Services' (Page 68) and who would undertake delivery of them.

Mrs Baxter explained that the delivery of retained services would be subject to the externalisation board's decision. Mr Dyson added that regular updates would be given to the Committee.

Mrs Baxter also stated that, according to the staff consultation, staff were not unable to relocate to Hampshire, but that many had chosen not to do so. Mr Dyson added that much of work was based around processing skills which would not require much training for new staff.

**RESOLVED:** to agree and confirm the progress made on the actions planned for 2014/15 which will be reported in the next Annual Governance Statement.

## **24/15 FUTURE OF ADULT SOCIAL CARE IN OXFORDSHIRE - REGULAR PROGRESS UPDATE ON IMPLEMENTATION PLAN**

(Agenda No. 9)

Kate Terroni, Deputy Director Joint Commissioning, and Martyn Ward, Service Manager ICT Business Delivery, gave a presentation to update the Committee on two interlinking projects:

- the Adult Social Care IT Project which will deliver replacement computer systems for Adult Social Care (Swift) and Client Finance (Abacus); and
- the Adult Services Improvement Programme which is delivering significantly more effective and efficient business processes using LEAN methodologies.

The Committee heard that the projects were entering their final stages and were currently in the data quality testing phase.

Mr Ward told the Committee that time and resources were being put into data migration with a focus on achieving as close to 100% of data matches as possible. He explained that this was a vital and complex task and that to press ahead with the planned go-live date of 1 June 2015 would present a significant risk with poor quality data matches.

Mrs Baxter explained that it was the multitude of resources from which financial data had been pulled which had caused the difficulties regarding data matches. She added that, for billing and payment reasons, it was essential to achieve data matches as close to 100% as possible.

Mr Ward went on to explain that the training support side of the project was also taking more time than was originally forecast and that this was also an area which meant that planned go-live date was going to be unachievable.

Mrs Terroni explained that the decision had been taken, with the agreement of CCMT, to postpone the go-live date and that a new date was yet to be set.

A number of Members agreed that postponing the go-live date was the right thing to do and accepted that the original go-live date of 1 June 2015 was optimistic.

Mrs Terroni stated that there would be no impact in postponing the go-live date for service users and that staff would continue to work with the existing systems that were in place.

Councillor Smith and Dr Jones questioned what the potential costs of postponing the go-live date would be.

Mrs Terroni explained that it would depend on the new date but added that the funds for the project were coming from a Better Care Fund Capital Grant and nowhere else. She stated that she would come back to the Committee with a timeframe and a figure.

Mrs Baxter added that missing the original go-live date was an opportunity lost. In the meantime, the Council would continue with the existing systems and not reap the benefits of the new system as quickly as otherwise. However, she explained that the risks of getting it wrong outweighed the potential costs of postponing the project.

Dr Jones expressed his disappointment that the problems that are holding the project back had not been foreseen.

Councillor Lovatt stated that there may never be complete data matches and that there are always crossover problems when new software programmes are implemented. With that in mind, he asked how irregularities and errors would be highlighted once the system is up and running.

Mr Ward explained that the Council was fortunate to be able to learn the lessons of other organisations who have implemented the project and that testing scripts had been made available to enable the Council to pre-empt a lot of problems, but agreed that the knowledge within the ICT department would be important going forward.

**RESOLVED:** to note the presentation and request a further update at its next meeting.

## **25/15 UPDATE ON HAMPSHIRE PARTNERSHIP**

(Agenda No. 10)

Hilary Cameron, Finance Lead Transforming OCS Project, and John McKenna, Oxfordshire Customer Services, gave a presentation to the Committee on the On Boarding Project for the Partnership arrangement with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015. The presentation set out the progress to date, requirements of User Acceptance Testing and advise on arrangements for ensuring the wider Council is ready for the forthcoming changes.

Mr McKenna explained that the project was in its third of five phases, which was the testing phase. He explained that the project was progressing according to plan and that testing, using staff from across the Council, was due to finish at the end of May. He went on to explain how managers and staff were to be trained and that there 13 training events planned across the County, including four 'mega events'.

Councillor Bartholomew questioned why some managers perceived that they were losing control over their budgets.

Mrs Baxter explained that under the new system anyone could make purchases and charge them to any cost centre. She explained that it was down to managers to monitor and scrutinise what had been charged to their cost centre, rather than having the responsibility of approving purchases. She added training would be vital to ensure that managers know what they have to do.

Councillor Hannaby enquired which schools were opting out of the service to which Mrs Baxter explained that all maintained schools would be using the service, but that academies were tending to opt out as the partnership was requiring a 5 year sign up.

Councillor Hards enquired how cost centre charges would be monitored or approved if the cost centre manager was, for example, on sick leave.

Mrs Cameron explained that a system of substitution would be in place, as there currently is, and that there was a natural escalation within HR. She also added that, with the new system, cost centre authorisation would be easier to do from home.

Dr Jones enquired as to whether there would be any provision for varying the agreement once it starts to run.

Mrs Baxter answered that there was a 13 month withdrawal period included in the agreement but that a consultation process would be needed should the Council wish to not continue with the supplier.

**RESOLVED:** the Committee received the presentation.

## **26/15 ERNST & YOUNG EXTERNAL AUDITORS - ANNUAL FEE LETTER 2015-16**

(Agenda No. 11)

The Committee considered the Annual Fee letter (AG11) which set out the annual fee for the audit and certification work that Ernst & Young propose to undertake for the 2015-16 financial year.

The Committee heard that the fee had been set by the Audit Commission prior to its closure and that the fee had not changed.

A member queried the amount of £33,000 on Page 72 and heard that that was the fee for work that Ernst & Young had been commissioned to carry out in regards to the potential financial benefits that could be had if Oxfordshire moved towards having a Unitary Authority.

The Committee was assured that the work undertaken would not impinge on Ernst & Young's impartiality as the Council's external auditor and that Ernst & Young were commissioned on the basis of their understanding of the Council and since they had completed similar work for other authorities. The Committee also heard that the work was not put out to tender and there was no necessity to do so as it was below the required threshold.

**RESOLVED:** to note the report.

## **27/15 ERNST & YOUNG EXTERNAL AUDITORS - AUDIT PLAN 2014-15**

(Agenda No. 12)

The Committee considered the Audit Plan 2014-15 (AG12), which set out how Ernst & Young intended to carry out their responsibilities as Oxfordshire County Council's Auditor.

Noting that the partnership with Hampshire County Council had been flagged as a significant risk on Page 83, Councillor Hards queried whether Oxfordshire County Council could be at risk should the strategic board of the IBC make changes to the systems being put in place and whether the strategic board could make changes without the agreement of OCC.

Lorna Baxter, Chief Finance Officer, explained that the Strategic Partners of the IBC would pick up the cost of making any such changes and that, as an Operational Partner, the Legal Department at the Council are working with the other partners to ensure that the Council has sufficient authority and power within the partnership.

Councillor Bartholomew queried why the decision making around the Chief Executive role was within the remit of Ernst & Young.

Maria Grindley, Ernst & Young, stated that, while Ernst & Young could not step into the decision making process, the decision on the structure of the Council was in the public domain and that Ernst & Young had to form a judgement from an Audit point of view to consider how the decision impacts on value for money.

A Member questioned whether the two significant risks identified on Page 81 were significant risks particular to the Council, or generic risks following a standard from the accounting profession.

Maria Grindley responded that the Council was required to get assurance on the items and that, even were they not required to, she would still consider the items as significant risks due to the pressures that public bodies are under.

Responding to questions of how the Auditors approach the issue of the risk of management override (Page 81), Maria Grindley explained that financial statements are fed into test systems and that analytical tools pull out one-off items and anything that looks out of sync to give a clear picture of where there might be spikes which could indicate incidents of fraud.

**RESOLVED:** to note the report.



## **28/15 ERNST & YOUNG EXTERNAL AUDITORS - SECTOR BRIEFING**

(Agenda No. 13)

Alan Witty, Ernst & Young, took the Committee through the report (AG13) which covered issues that could have an impact on Oxfordshire County Council, the Local Government sector and the Audits that Ernst & Young undertake.

**RESOLVED:** to note the report.

## **29/15 RESPONSE FROM THE OFFICE OF SURVEILLANCE COMMISSIONERS ON THE USE OF THE RIPA AND UNDER AGE TEST PURCHASING**

(Agenda No. 14)

The Committee noted and welcomed the response (AG14) received from The Office of Surveillance Commissioners, who, following advice from the Committee, had taken into account the Committees concerns and have amended their procedures and guidance to be less restrictive in the requirements regarding RIPA and under age sales test purchasing.

**RESOLVED:** to note the report.

## **30/15 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME**

(Agenda No. 15)

The Committee considered its Work Programme (AG15).

**RESOLVED:** to hold an additional meeting of the Committee on 10 June at 14:00 and to bring forward a number of items from the 1 July 2015 work programme in order to reduce the number of items on that programme.

## **31/15 DATE OF NEXT MEETING**

(Agenda No. 16)

In order that Members could receive the completed draft statement of accounts it was suggested that the meeting of 1 July 2015 be moved to 8 July 2015 at 2:00pm.

Taking into account the potential work programme for the Committee, the Chairman was also minded to hold an additional Committee meeting on June 10<sup>th</sup> and members' views are requested.

**RESOLVED:**

- (a) to hold an additional meeting of the Committee on 10 June 2015 at 14:00 in order to bring forward a number of items from the 1 July 2015 work programme;
- (b) to ask officers to consult on a new date for the 1 July 2015 meeting.

**32/15. URGENT BUSINESS - SCRUTINY ANNUAL REPORT**

(Agenda No. 17)

Maggie Scott, Head of Policy, presented the report which introduced the draft Scrutiny Annual Report for consideration. She stated that the report was in the names of the Chairs of Scrutiny Committees and had been drafted in partnership between Chairmen and Scrutiny Officers and reviewed by the County Council Management Team.

A member queried how the Cabinet Advisory Groups (CAG) were constituted. Ms Scott explained that they are constituted at the request of Cabinet. She also explained that, unless there was no requirement to be so, CAG's were politically representative, and that others were politically balanced and chaired by a Cabinet member.

The Committee welcomed the report, noting that it was far more detailed and representative than in past years.

**RESOLVED:** to note the Scrutiny Annual Report for presentation to Full Council.

..... in the Chair

Date of signing

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