AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 10 June 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 David Bartholomew
Councillor Yvonne Constance OBE
Councillor Tim Hallchurch MBE
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Councillor John Tanner

Non-voting Members: 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, Glenn Watson and Deborah Miller (Chief Executive's Office).

Part of meeting

Agenda Item	Officer Attending
5	Graham Collins (Finance); Maggie Scott (Chief Executive's Office);
6	Carolyn Williamson (Director of Corporate Resources, Hampshire County Council)
7	Kate Terroni, Deputy Director Joint Commissioning and Martyn Ward (ICT Business Delivery)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional documents: (attached presentations) and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.

33/15 ELECTION OF CHAIRMAN FOR THE 2015/16 COUNCIL YEAR
(Agenda No. 1a)

RESOLVED: that Councillor David Wilmshurst be elected as Chairman for the 2015/16 Council Year.

34/15 ELECTION OF DEPUTY CHAIRMAN FOR THE 2015/16 COUNCIL YEAR
(Agenda No. 1b)

RESOLVED: that Councillor Sandy Lovatt be elected as Vice-Chairman for the 2015/16 Council Year.

35/15 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 22 April 2015 were approved and signed.

Matters Arising from the Minutes

Minute 23/15 – Annual Governance Statement

Mr Dyson gave an undertaking to circulate a response from Greg Stacey to the Committee in relation to paragraph 3 of the Minutes 'lessons learnt from the fire at the officers of South Oxford District Council'.

36/15 CORPORATE LEADS PRESENTATION
(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 Maggie Scott, Head of Policy on Performance Management, Graham Collins on Procurement and from Glenn Watson, Principal Governance Officer on Legislation (copies of which are attached to the minutes).

Mrs Scott outlined the Performance Management Framework that was in place to ensure the Council achieved progress towards it's predetermined objectives, including the council's corporate plans and strategies and performance reporting principals including: quarterly discussion; opportunities for deeper analysis and review; directorate ownership; exception reporting at a corporate level; emphasis on performance trends; relationship between performance and risk; focus on resolutions and mitigating actions and maintaining transparency and accountability. She further

went to outline the areas of performance scrutiny as outlined on page 5 of the presentation and future challenges and next steps including:

- Developing need for more comprehensive reporting framework with a broader range of business information used to inform decision making
- Articulating clearer links between the performance of service delivery activity and the achievement of strategic objectives
- Refining measures used to ensure continued relevance in a changing local authority landscape
- Setting and agreeing realistic targets based on limitations of available resources

In response to questions from members regarding what steps were in place to monitor the effects of cuts on performance and the ever decreasing workforce, Ms Scott explained that it was important for managers to identify the level of performance they wanted to achieve against the resources they had.

Members further queried the ability of the Performance Scrutiny Committee of cover performance across the whole Authority. In response, Ms Scott agreed that the Committee needed to focus on specific areas and then look across the board, with a need to give directorates the job of managing its own business. Quarterly meetings were also held with the Chairman of Scrutiny Committees to ensure issues were being picked up, together with constant scrutiny to identify consistent trends in underperformance.

Mr Collins then went on to give a presentation on Commercial and Procurement Assurance process setting out the systems, mechanisms and responsibilities in place to ensure internal control, including providing an annual statement of opinion on the effectiveness of those systems and mechanisms; identifying any actions to address weaknesses based on those opinions, or improvements required based on the current organisational position and the monitoring and review of any actions identified. Assurance Mechanisms in place were as follows:

Commercial Services Board (CSB)
- Oversight of commercial activity
- Visibility of new projects
- Scrutiny of business cases (service design)
- Contract management
- Purchase to Pay
- Non-compliance events

Specialist Procurement Teams
- Support for procurement projects over £25k
- Project reporting to CSB via RAG status and escalation within service area
- Comprehensive internal guidance (including Contract Procedure Rules)
- Larger procurements subject to EU Regulations

Contract Management
- Contract Management Framework
- Risk based segmentation of contracts (Platinum/Gold/Silver and Bronze)
- Best practice baselining (NAO derived)
- Quarterly performance reporting for platinum contracts
- Accreditation scheme for contract managers ("Passport to practice" + extensive training and guidance

- • Issue escalation to contract managers and CSB

Purchase to Pay
- • Central Buying Team (CBT) oversight of compliance with CPRs and correct use of corporate contracts
- • Oversight of new Vendor creation
- • Management of the central contract register
- • Reporting compliance issues to specialist procurement teams and CSB

Mr Collins furthered identified Issues for the future as follows:
- • Embedding and communicating the role of the Commercial Services Board
- • Implementation of the Contract Management Framework
- • Development of the County Procurement Team including resources to support the on-going work of the Commercial Services Board and implementation of the contract management framework
- • Tackling instability arising out of the externalization agenda and the effect on SAP governance and control mechanisms

Mr Watson then gave a brief presentation outlining how the Monitoring Officer of the Council assured himself that the Council was legally compliant, that the Council complied with regulations and the law and what issues should be flagged for the future. Mr Watson outlined the Assurance Framework for the Council which set out the Council's approach to corporate governance, together with the roles and responsibilities of other committees and groups within the council that insured compliance as follows:

MO and Deputy MO – legal advice:
- • Service level agreements
- • Meetings with Directors and Deputy Directors
- • Lawyers providing advice on cases
- • Briefings on new legislation
- • Legal (lawyer) training
- • Client satisfaction feedback

Corporate Legal Strategy:
- • All legal staff to raise issues of concern with MO and Assistant

Procurement and contracts:
- • Contract Procedure Rules – annual review + as needed
- • Commercial Services Board – oversees procurement process
- • MO controls contract exemption requests + legal appraisals
- • Internal audit reviews
- • Contract compliance register – Central Buying Team

Protocol for implementing new legislation
- • Process for raising awareness of…
- • New legislation, statutory guidance and best practice
- • Forward planning to allow for government policy developments
- • Key contacts in directorates – reviewed annually
- • Protocol reviewed – biannually

Support to lawyers
- • MO briefing to service on protocol and compliance
- • Principal solicitors – importance of updates
- • E-updates, training

- Closer liaison with policy team

Partnerships
- Added as separate Corporate Lead Statement – visibility
- Scrutiny by CGAG and Audit & Governance Committee

Data Protection & information technology
- Data Controller co-ordinates Information Governance Group
- Reviews data security; learns from breaches
- Identifies areas for improvement
- Mandatory requirement for staff training

The Committee thanked the officers for all 3 informative presentations and AGREED to take the final Corporate Lead presentation on Project and Programme Management at their meeting in July.

37/15   UPDATE ON HAMPSHIRE PARTNERSHIP
(Agenda No. 6)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the proposed partnership arrangements with Hampshire County Council. Accordingly Lorna Baxter, Chief Finance Officer for OCC and Carolyn Williamson, Director of Corporate Resources, Hampshire CC had been invited to attend and give a presentation to the Committee on this issue.

The presentation updated the Committee on progress on the 'On Boarding' Project for the partnership arrangements with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015, including an overview of the governance arrangements of the Project, highlighting key changes in processes for HR and Finance and advice on arrangements for ensuring the wider Council is ready for the forthcoming changes. It also considered changes to internal controls and data transfer arrangements as well as updating the Committee on savings.

Mrs Baxter explained that the project governance was affected through an on-boarding project board which comprised senior officers from Hampshire, Deloitte and Oxfordshire. The board was responsible for making strategic and operational decisions, monitoring project progress and addressing identified risks, The project team was also drawn from the three organisations and they were responsible for delivery of eleven workstreams from the design phase, through build and test phases and finally the deploy phase.

The existing Hampshire partnership is legally underpinned by an unincorporated public to public partnership. This enables each public body to jointly deliver and share the benefits of shared services between themselves. As a partnership rather than a commercial outsourcing, the expectation is that all partners (including Oxfordshire County Council) would collaborate and work together for the good of the partnership. Oxfordshire will join the partnership through a joint working agreement, retaining influence on the partnership through an operational forum which provided a basis for consultation and the exercise of influence in the management of the overall joint working arrangements.

The joint working agreement will include: governance arrangements; service standards and performance measures; role and responsibilities of each partner in the process steps for each service area and apportionment of costs, benefits and liabilities.

A number of reserved matters were also currently being negotiated which would ensure Oxfordshire was able to influence any proposals in relation to the partnership which might affect Oxfordshire's fundamental interests. These would form part of the joint working agreement.

Oxfordshire was working closely with Hampshire to develop a performance management framework, based on financial and non-financial measures being collected as part of the governance arrangements above.

Mrs Baxter further outlined user acceptance testing (details in the presentation) and the OCC business readiness events plan. In relation to defects on the user acceptance testing, the Committee asked Mrs Baxter if she could give an example of a high or low defect. In response Mrs Baxter that an issue such as not being able to print an individual screen shot would be classified as a 'medium' defect.

With regard to Risk Management, Mrs Baxter went on to explain that the partnership worked on a cost share basis. The mechanism for controlling cost increases was now covered in the proposed Deed of Accession which aimed to protect Operational Partners from 'disproportionate impact'. In addition all matters relating to changes to levels of financial contribution would be approved in the setting of the annual budget in accordance with the Governance Protocol.

The Operating model had now been live for just over 12 months during which time all new partners had on-boarded on time, commencing with Hampshire County Council in April 2014, 500+ Hampshire Schools in July 2014, Hampshire Fire & Rescue in August 2014 and Hampshire Constabulary and Police & Crime Commissioner in November 2014.

The experience to date had indicated that 'on-boarding' was a significant change programme which affected the whole organisation and the adoption of the new model by the organisation and its suppliers has been shown from the partners who have on-boarded to date to take around six months to embed. The expectation was similar for Oxfordshire.

In accordance with the project timetable, systems and user testing was still in progress and matters arising are continuously being risk assessed in order to prioritise project resources both pre and post project go-live. The most significant project risk in the run up to and just after go-live is resourcing. This was being monitored closely by the Oxfordshire project board.

In relation to the Committee's concerns over the ability for Hampshire to change their model of working without Oxfordshire having a say, Ms Williamson advised that the agreement contained clauses which ensure if one of the strategic partners wished to change something then all strategic partners would need to decide together if it would benefit the partnership and the cost would be shared between those strategic

partners. . The agreement does however contain a clause that if the strategic partner's decision had a disproportionate and significant detrimental effect to the operational partners, such as Oxfordshire, then Oxfordshire must consent to the change.

Ms Williamson further assured the Committee that there was no intention to outsource the IBC and operating model. There was a clear intention to grow the partnership and within time to invite like-minded organisations on board.

The Committee sought assurance from the Chief Internal Auditor as to whether Oxfordshire County was protected from any risks arising from the Partnership. Mr Dyson, Chief Internal Auditor stated that whilst he could give a general assurance that the Council were protected as he believed the project would be ready by 1 July 2015, he would not be prepared to give complete assurance at this stage as further testing needed to be carried out to assess the risks to OCC if the project did not go forward on time.

In response to questions from members over financing future investment costs, Ms Williamson confirmed that Oxfordshire had capped risks in investment in the project and beyond, whilst Hampshire did not. In practice, this meant that if future upgrades came to more than operational cost, Hampshire would cover that extra cost. .

RESOLVED: to receive the presentation from the Chief Finance Officer of OCC and the Director of Corporate Resources, Hampshire CC and to request a further update at their meetings in July and September.

38/15 FUTURE OF ADULT SOCIAL CARE IN OXFORDSHIRE - REGULAR PROGRESS UPDATE ON IMPLEMENTATION PLAN
(Agenda No. 7)

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, following the update given to the Committee in April the project go-live had, with the agreement of CCMT had been rescheduled to November 2015. This would allow the project team to achieve the 99% data quality objective, give sufficient time for the required staff training and enable the production of a permanent interface into the Hampshire IBC for Finance Services.

Mr Ward went on to explain that the revised date would also allow for an upgrade of the IT software to the latest version (v6.1) which would avoid further work and upgrade costs in 2016. It would also deliver improvement to functions such as online financial assessments, safeguarding, reporting, financial services and system configuration.

Mr Ward told the Committee that 98% of financial assessments had now been imported into ContrOCC of which 94% had passed testing and that 97% of care packages had now been imported into ContrOCC of which 95% had passed testing. Three more rounds of data migration were planned. He further confirmed that that new go-live date mitigated most of the risks that could have occurred with the earlier go-live date.

Ms Terroni reiterated the importance of data migration being 99% accurate and outlined the next steps in the project including:

Work with the supplier, Liquidlogic to upgrade the current system (from v5 to v6.1);
Updating and completing a comprehensive plan to test and deploy the new v6.1 system;
Updating the Training Plan and producing the necessary training & support materials for all staff & partners;
Continuing the work to achieve the 99% Data Quality objective;
Configuring and deploying the necessary interface between Liquidlogic and the Hampshire IBC System for Finance purposes.

The Committee reiterated the importance of accurate data, particularly in relation to the reputation of the County Council and questioned whether officers knew what impact the 1% inaccuracy would have.

Mr Ward responded that once all the data had been migrated they would be able to assess the impact of the 1%.

A Councillor raised a concern around members of staff not being able to use the system and the possibility of staff subverting the system in these cases. Mr Ward assured the Committee that there were tight processes to go through which would not allow staff to subvert the system and that the new system provided audit controls.

In response to questions around whether the system would be able to record how many hours care the client had actually received, Ms Terroni confirmed that it was an aspiration to buy an additional package in the future to tie in contract provision, but that it was important to get the first part of the project accurate and would also be dependent on finances.

39/15   REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT
(Agenda No. 8)

The Audit & Governance Committee had requested that the Monitoring Officer undertake a review of the effectiveness of Internal Audit. The Annual Review was also a requirement under the Accounts and Audit (England) Regulations. The Committee considered a report (AG8) that provided a commentary on the effectiveness of Internal Audit in 2013/14, and which would be used as a source of evidence for the Annual Governance Statement.

RESOLVED: to note the report and to continue with an annual survey of senior officers with a report back to the Audit & Governance Committee.

.... in the Chair

Date of signing 2015