

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 8 July 2015 commencing at 1.00 pm and finishing at 3.50 pm.

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair

Councillor Sandy Lovatt (Deputy Chairman)

Councillor Yvonne Constance OBE

Councillor Tim Hallchurch MBE

Councillor Jenny Hannaby

Councillor Nick Hards

Councillor Roz Smith

Councillor John Tanner

**Other Members in Attendance:** Councillor Rodney Rose (for Agenda Item 6)

**By Invitation:** Ms Di Rice (Ernst & Young)

**Officers:**

Whole of meeting Lorna Baxter, chief Finance Officer, Ian Dyson, Chief Internal Auditor, Mr Glenn Watson, Principal Governance Officer and Deborah Miller (Chief Executive's Office).

Part of meeting

**Agenda Item**

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**Officer Attending**

John McLauchlan (Environment & Economy),

Simon Furlong, Assistant Chief Fire Officer,

Kathy Wilcox and Nicola Jackson (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, copies of which are attached to the signed Minutes.*

#### **40/15 MINUTES**

(Agenda No. 3)

**RESOLVED:** the minutes of the meeting held on 10 June 2015 were approved and signed.

#### **41/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Apologies for absence and temporary appoints were received as follows:

<b>Apology</b>	<b>Substitution</b>
Councillor David Bartholomew	Councillor Stewart Lilly
Dr Geoff Jones	

#### **42/15 ITEM OF URGENT BUSINESS - SENIOR OFFICER APPOINTMENTS**

(Agenda No. )

Under the provisions set out in Section 100B(4) of the Local Government Act 1972 (as amended) the Chairman of the Meeting was of the opinion that this item could be taken as the first item on the Agenda as urgent business due to the need for this Committee to give consideration to the matter prior to it going to Full Council on 14 July 2015.

**RESOLVED:** to add the item as the first item on the Agenda.

The Committee had before it a report outlining the governance implications of the Chief Executive leaving the Council at the end of September. Full Council needed to make appointments to certain statutory roles, in particular that of 'Head of the Paid Service'. Under the Constitution, the Remuneration Committee must make a recommendation to Council as to the person it thinks should be appointed to that role.

On 23 June 2015 the Remuneration Committee recommended the appointment of the Chief Legal Officer, Peter Clark. If Council agreed to make this appointment, then a new Monitoring Officer must also be appointed. This was because the law says that a person can't be appointed as both Head of the Paid Service and Monitoring Officer. Consequently, the Remuneration Committee had also recommended that Nick Graham be appointed as the new Monitoring Officer, if appropriate.

A further role that needed to be appointed was that of County Returning Officer. The Returning Officer oversaw elections to the County Council. Appointments to that role were made by this Committee and so a report on appointing the County Returning Officer would be considered at the September meeting.

As this Committee was responsible for ensuring effective governance across the Council, it was important that it be assured of two things:

- that any new appointment to the role of Monitoring Officer would maintain the level of input and oversight we experience from the current Monitoring Officer
  - Nick Graham was currently also the Deputy Monitoring Officer and was significantly experienced in the range of issues that came before this Committee. There would be no change to the support and advice the Committee currently received.
  - Both Peter Clark and Nick Graham currently attended/chaired various governance boards and management groups, for example Oxfordshire Children Safeguarding Board, Corporate Governance Assurance Group and Information Governance Group as well as others.
- Cabinet would now determine what alternative senior management structure should be put in place across the Council.
  - This would then form part of the budget to be agreed by Full Council in February 2016.
  - This Committee would want to be assured that any review by the Cabinet resulted in strong governance arrangements.
    - At the Remuneration Committee on Monday, the Leader of the Council also expressed his intention that this Committee should be consulted on any draft proposals - so that it could provide Cabinet with commented in relation to audit and governance matters.

During debate, members stressed the importance of the Committee being consulted on matters within its remit at the correct point in the process.

**RESOLVED:** to note that a report on the changes following Senior Officer Appointments would be brought back to the next meeting and **AGREED** the proposal as put forward by the Leader of the Council that the Committee be consulted on any future draft proposals.

## **43/15 CORPORATE LEAD 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 on the assurance process:

- 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 a presentation from John McLauchlan, Programme Delivery Manager, who attended to give the Committee the remaining Corporate Lead presentation on Project and Programme Management (a copy of which is attached to the signed Minutes).

Mr McLauchlan outlined the systems and mechanisms to ensure internal control of Project and Programme Management that had been in place throughout 2014/15 as follows:

- The Corporate Project Management Framework had been fully refreshed and published on the intranet to further embed best practice. It identified arrangements and structures for risk management, robust governance and the suitable documentation for a Project or Programme.
- A strengthened Financial Business Case template had been developed and approved by the Commercial Services Board and formal training in Programme Management disciplines had been introduced to strengthen the available existing resource to successfully deliver strategic change.
- All Major Programmes were listed in the overall Directorate Risk Registers and formal reporting into DLTs / Change Boards / the Audit Working Group had been established (as appropriate).
- Issues around governance were pro-actively highlighted to Chief Executive and / or Head of Policy and / or relevant Deputy Director as appropriate.
- Regular (every 2 months) updates of the Major Programmes were taken to the Chief Executive for discussion and challenge.

He further outlined the routes of escalation and Directorate Specific Assurance Measures that were in place and the arrangements that were in place where issues were not resolved within the Directorate (escalation to the Deputy Director (OCS) and also flagged to Chief Executive. Outstanding issues would then be flagged for 'Action' / Attention). He finished by outlining the focus for the future including the Change Board and Agile Working.

The Committee thanked Mr McLauchlan for his informative presentation.

#### **44/15 FIRE & RESCUE SERVICE STATEMENT OF ASSURANCE 2014/15**

(Agenda No. 6)

The Fire and Rescue National Framework for England (the Framework), set out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

The Committee had before them a report which included an annual statement of assurance in order to meet the obligation to produce the statement through reference to public webpages, existing reports and documents.

Mr Furlong, Assistant Chief Fire Officer in presenting the report confirmed that the report had been prepared following the Department for Communities and Local Government guidance on statements of assurance for fire and rescue authorities in England. He explained that the statement of assurance was intended to be published on the public website only and that it was not intended to produce hard copy versions.

Councillor Rodney Rose welcomed the encouraging report and paid tribute to Oxfordshire's Fire & Rescue Service. The Committee endorsed the comments made by the Cabinet Member. He underlined the importance of keeping the Fire & Rescue Service under the control of Oxfordshire County Council.

In response to questions from members around recruitment and response times, Mr Furlong confirmed that comparative data would be set out in the annual report from the Fire Service, but that attendance times had improved and that this was directly linked to a recent recruitment drive and more flexible working models being developed. Response times however, remained challenging due to the rural nature of the County.

He went on to confirm that a strategy was in place for A34 growth including enhanced rescue vehicles along the A34 and M40 corridor.

**RESOLVED:** to note the Statement of Assurance 2014/15 for approval.

#### **45/15 ANNUAL REPORT OF THE MONITORING OFFICER**

(Agenda No. 7)

The Audit & Governance Committee were responsible for promoting ethical standards of conduct for elected councillors and co-opted members and for ensuring the integrity of the democratic decision-making process. The Committee had before them a report (AG7) which highlighted the progress that had been made in implementing the code of conduct for members and in promoting and maintaining high standards of conduct and public accountability and summarised relevant actions and issues that had occurred in the previous year 2014/15.

Mr Watson introduced the contents of the report and drew attention to work undertaken throughout the year including the overview of arrangements of Standards in Oxfordshire and the county, district and city councils maintaining harmonised codes of conducts; the new complaints process; details on closed sessions, exceptions to the Forward Plan, Scrutiny Call in and the Chief Executives use of delegated powers.

Mr Watson then went on to outlined the number and nature of complaints of breaches of the code, concluding that although the number was very slightly up from last year it still remained low and that very little breach was found.

In relation to paragraph 15 of the report, members expressed the importance of 'lessons being learnt' from the restructure and welcomed the conclusion from the Monitoring Officer in paragraph 18 to the report.

**RESOLVED:** to note and endorse the report.

#### **46/15 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR**

(Agenda No. 8)

The Committee considered the annual report of the Chief Internal Auditor (AG8), which summarised the outcome of the Internal Audit work in 2014/15, and provided

an opinion on the Council's System of Internal Control. The opinion was one of the sources of assurance for the Annual Governance Statement.

Ian Dyson, Chief Internal Auditor, introduced the contents of the report highlighting the overall opinion set out in paragraph 2.2.1 of the report that a reasonable assurance was provided regarding the effective, efficient and economic exercise of the Council's function.

Mr Dyson went onto explain, as also stated last year, that there had been some areas of weakness identified by management and Internal Audit, but that these had all resulted in positive action plans to address them, with appropriate timescales, demonstrating a commitment to maintaining effective governance and internal control. Whilst this was a positive assurance the organisation continued to operate under significant financial pressure, and in a state of continuous change. Governance was strong which provided a good foundation for managing these pressures effectively, but there was an inherent risk to the control framework when capacity within an organisation becomes stretched.

Whilst this opinion was of the whole system of internal control, the level of assurance that could be provided on commissioning and contract management was limited. The Council had introduced a Commercial Board, with a terms of reference to provide oversight and challenge over the performance and governance of the council wide commissioning and contract management activity; however the operations of the Board were not yet sufficient to provide that management assurance; in addition the amendments to the Internal Audit Plan in year had reduced the work undertaken in this area, therefore the level of assurance from the CIA was restricted and could not be considered as a representation across the Council.

There had been 30 audits completed in 2014/15, of which only three resulted in an opinion of with a RAG status of Red (Children's Social Care Management Controls - Transport, ASC IT System and Residential and Home Support Payment Systems).

**RESOLVED:** to note and endorse the report.

#### **47/15 ERNST & YOUNG**

(Agenda No. 9)

The Committee considered the Oxfordshire County Council Progress Report July 2015 (**AG9**); the Oxfordshire Pension Fund Audit Plan (**AG9**) and the Local Government Sector Update, including Questions (**AG9**). Ms Di Rice, Ernst & Young, attended the Committee to present the reports.

The Committee heard that the Oxfordshire County Council Progress Report 2014/15 was presented in order to provide an overview of the timetable that Ernst & Young were proposing for the 2014/15 audit and to ensure that the external audit was aligned with the Committee's expectations.

The Oxfordshire Pension Fund Audit Plan report provided the Committee with a basis to review Ernst & Young's proposed audit approach and the scope for the 2014/15 Pension Fund audit.

The Local Government Sector Update provided information on technical issues relevant to the local government sector and wider issues which may impact on Oxfordshire as an organisation

**RESOLVED:** to note the reports.

#### **48/15 REPORT FROM THE AUDIT WORKING GROUP**

(Agenda No. 10)

The Committee had before them a report by the Chief Internal Auditor (AG10) which summarised the matters arising at the meeting of Audit Working Group on 11 June 2015.

**RESOLVED:** to note the report.

#### **49/15 TREASURY MANAGEMENT OUTTURN 2014/15**

(Agenda No. 11)

The Committee considered a report (AG11) which set out the Treasury Management activity undertaken in the financial year 2014/15 in compliance with the CIPFA Code of Practice. The report included Debt and Investment activity, Prudential Indicator Outturn, Investment Strategy, and interest receivable and payable for the financial year.

Mrs Baxter, Chief Finance Officer introduced the contents of report. She explained that the Council's debt financing position for 2014/15 was shown in Annex 1. No new borrowing was arranged during the year and that £2m of maturing loans were repaid during the year, details of which were set out in annex 2 of the report. In terms of investment activity, despite strong economic growth in the UK, inflation remained low and the Bank of England kept interest rates at historically low levels. This resulted in low rates in the market, providing a challenging environment for investing cash.

For the financial year, the Council achieved an average in-house return of 0.77%, which was 0.03% below the original budgeted rate. This under achievement on rates was offset by higher than forecast cash balances and strong pooled fund distributions, resulting in an overachievement of £470k on the interest receivable budget.

Having reviewed further investment options, in consultation with the council's treasury advisors Arlingclose, the Treasury Management Strategy Team approved decisions to invest in two new pooled funds - The CCLA Local Authorities' Property Fund and the Royal London Cash+ Fund.

The Council continued to limit exposure to banks by lending to local authorities and through the use of pooled funds. Changes to the lending list in year were set out in Annex 3 to the report and the investment portfolio at 31 March was set out in Annex 4.

In terms of prudential indicators, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy, the position at year-end was set out in Annex 5. Investment performance benchmarking undertaken by Arlingclose was shown in Annex 6. During the year the Council achieved a yield on deposits above the average for all Arlingclose clients, whilst maintaining lower than average credit risk.

Interest payable for 2014/15 was £18.227m, exceeding the budgeted figure in the Medium Term Financial Plan by £46k. The 2014/15 budget for interest receivable was £2.4m, compared with the outturn of £2.87m, including pooled fund distributions, giving a net overachievement of £470k. In addition the accounts recognise an increase in the value of available for sale assets of £1.23m. This comprises short dated bond funds, strategic bond funds and property funds.

**RESOLVED:** to note the report and to **RECOMMEND** Council to note the Council's Treasury Management Activity in 2014/15.

## **50/15 STATEMENT OF ACCOUNTS 2014/15**

(Agenda No. 12)

The Accounts and Audit Regulations 2011 required the Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they gave a true and fair view of the County Council's position. The Committee had before it a report (AG12) which presented the accounts certified by the Chief Finance Officer to the Committee for information, before the start of the public inspection period and the commencement of the audit. The Committee would then be asked to consider and approve the accounts at its meeting on 16 September 2015, when the findings of the audit were available.

The Statement of Accounts was presented in accordance with the Code of Practice on Local Authority Accounting for 2014/15 and set out how much money the Council had spent on services, what it had invested in capital projects, how it had funded the expenditure and what it owned. The accounts included various adjustments required to give a "true and fair view" of the total cost of providing services, rather than the amount to be funded from taxation.

Mrs Kathy Wilcox, Chief Accountant, presented the contents of the report and highlighted the summary accounts which provided a much simplified version of the accounts. This showed a deficit on the provision of services of just over £92m, which related to a loss on the disposal of assets due to the transfer of school land and buildings to academy trusts for nil consideration.

After removing the effect of adjustments required to be included in the accounts under the Code but not impacting on the council tax and transfers from earmarked reserves, the County Fund Balance increased by £2.8m in 2014/15 as reported to Cabinet in the Provisional Outturn Report on 23 June. The additional balances would be used to support the Medium Term Financial Plan.

The balance sheet provided a snapshot of the financial position of the Council on 31 March 2015. It showed the value of the Council's assets and liabilities and how those were matched by reserves and balances. Net assets held by the council were £90m



at the end of the year. This compared to £271m at the end of 2013/14. The largest element of the decrease in the council's net worth reflected updated financial assumptions provided by the actuary about the council's future pension liability in accordance with IAS19. There was no immediate effect on council tax levels.

Earmarked reserves were £112m at the end of the year. This includes £22m school balances, £44m held by directorates for agreed purposes and £31m capital reserves. Further details about the movement in useable and non – usable reserves was set out in the Movement in Reserves statement on page 155 of the Statement of Accounts.

The Council spent £95.4m on capital schemes during the year including schemes like the Kennington Roundabout improvements, Broadband and improvements to schools.

The main changes the Code of Practice for 2014/15 related to the adoption of new or amended group accounting standards. There was no impact on the accounts as there were no group relationships in 2014/15. For 2015/16 group accounts would be required to show expenditure and income relating to the Local Enterprise Partnership which was incorporated as a company limited by guarantee on 1 April 2015.

The service expenditure analysis for Adult Social Care on page 188 of the accounts had been updated to reflect the new analysis that is required for 2014/15.

In relation to paragraph 15 of the report, members expressed the importance of 'lessons being learnt' from the restructure and welcomed the conclusion from the Monitoring Officer in paragraph 18 to the report.

In response to a question, Mrs Baxter confirmed that the Adult Social Care pressure would be picked up as part of the Resource & Planning process starting in September.

**RESOLVED:** to note the Summary Accounts 2014/15 and the Statement of Accounts for 2014/15 to be submitted to the Auditor.

## **51/15 ANNUAL GOVERNANCE STATEMENT - 2014/15**

(Agenda No. 13)

The County Council had approved and adopted a code of corporate governance which was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Corporate Governance was the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements was a key determinant of the quality of services provided by organisations. The report before the Committee (AG12) explained how the County Council had complied with the Code in 2014/15. The Statement included an update on actions identified last year that were to be carried out during 2014/15. It also listed new actions for 2015/16.

**RESOLVED:** to approve the Annual Governance Statement 2015/16.

**52/15 UPDATE ON HAMPSHIRE PARTNERSHIP**

(Agenda No. 14)

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 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. Mrs Baxter explained that on the 24 June the partnership board had agreed to delay the go live date to the 13<sup>th</sup> July to ensure maximum accuracy of data as testing issues had taken longer to resolve than expected. The delayed start time had also allowed sufficient time to make additional payments to vulnerable clients, although arrangements had also been put in place to make emergency payments. The project was now on track for the 13<sup>th</sup> July, with confidence testing being carried out over the next few days.

In response to questions, Mrs Baxter confirmed that controls were in place including self-certification and post event checking to ensure there was compliance across the board. Change champions were also to be put in place nearer to the go live date.

**RESOLVED:** to receive the presentation of the Chief Finance Officer and request a further update at the Committee's September Meeting.

**53/15 WORK PROGRAMME**

(Agenda No. 15)

The Committee considered its Work Programme (AG15).

The Committee held a discussion around the need for the Committee to look at when it met and possible new ways of working. The Committee expressed concern over changing the current way of working as Councillor's who were also in employment would find it extremely difficult to attend all day meetings and to attend meetings on Monday mornings. It was agreed that these views go forward to Council when they considered the Committee dates for 2016/17.

**RESOLVED:** to adopt the work programme.

..... in the Chair

Date of signing 2015