

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 8 May 2019 commencing at 10.30 am and finishing at 4.40 pm

### **Present:**

**Voting Members:** Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)  
Councillor Paul Buckley  
Councillor Jeannette Matelot  
Councillor Charles Mathew  
Councillor D. McIlveen  
Councillor Glynis Phillips  
Councillor Les Sibley  
Councillor Roz Smith  
Dr Geoff Jones

**By Invitation:** Paul King, Janet Dawson and David Guest, Ernst & Young  
Nigel Tipple, Chief Executive, Oxfordshire Local Enterprise Partnership  
Steve White, Operations Director, Skanska

### **Officers:**

Whole of meeting Lorna Baxter, Director for Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Officer

Part of meeting

### **Agenda Item**

	<b>Officer Attending</b>
5	Tessa Clayton and Katherine Kitashima, Audit Managers
10,11	Nick Graham, Director of Law & Governance; Glenn Watson, Principal Governance Officer
13	Ben Threadgold, Policy and Performance Service Manager
15	Hannah Doney, Strategic Finance Manager (Accounting and Reporting)
17,19,21	Owen Jenkins, Director for Community Infrastructure
18	Grahame Mitchell, Assistant Chief Fire Officer; Paul Bremble, Strategic Risk and Assurance Manager
19	George Eleftheriou, Assistant Director Community Facility Management
21	Andrew Fairweather, Asset & Investment Team Manager; Ian Dyson, Assistant Chief Finance Officer (Assurance)

*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 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.*

## **23/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

There were no apologies.

## **24/19 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **25/19 MINUTES**

(Agenda No. 3)

The minutes of the meeting on 6 March 2019 were approved and signed.

On item 19/19 Review of Effectiveness of Internal Audit, the Chairman noted that the minutes did not record a clear decision as to whether the Committee wanted the review to continue on a two or three-year basis. It was agreed to continue on a two-year basis for now.

## **26/19 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

Colm Ó Caomhánaigh stated that one application to speak had been received but it did not relate to any item on the agenda and was therefore refused.

Councillor Roz Smith asked that the Council's Democratic Services team look at the application form for speakers to ensure that it is clearer that requests to speak must relate to an item on the agenda.

## **27/19 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2018/19**

(Agenda No. 5)

Sarah Cox summarised the report and introduced the new Senior Auditor, Nigel Ford. She responded to issues raised by Members as follows:

- There is no guidance on standard language to use in giving the opinion on the Council's System of Internal Control. There is no higher rating than 'satisfactory'. In the past, a 'qualified' opinion was delivered when the Chief Internal Auditor was not entirely satisfied with the outcome.
- It was noted that the heading on the table on Agenda Page 17 should refer to 2018/19.
- Changes may be made to the Audit Plan during the year with the agreement of the Committee and the completion of the plan is measured against the amended plan not the original plan.

- A different external firm was used this year to provide extra resources for the internal audit. There were performance and quality issues with their work and there have been discussions about this with the company.
- The timing of the deferred audit on the Back-up and Recovery system in IT at Quarter 3 is related to the expected implementation of the new solution.

Members welcomed the report and asked the Chief Internal Auditor to pass on their thanks to her team.

**RESOLVED: to endorse this annual report.**

## **28/19 INTERNAL AUDIT STRATEGY & ANNUAL PLAN 2019/20**

(Agenda No. 6)

Sarah Cox introduced the report. There will be more later in the year on the joint working with Cherwell District Council as that arrangement develops. She responded to Members' questions as follows:

- The internal audit function at Cherwell is outsourced which is normal for a district council.
- A framework has been agreed with an external company and other local authorities. It covers six years but the Council is not tied into it and can use other companies. The fees are agreed.
- The Council is also trying to 'grow its own' auditors to improve long-term sustainability.
- Regarding the IT system for Children's Services, this has changed in the last week. Capita is still involved but not for payments. There is a new module which can give better information on cost per child.
- The plan is based on filling the current vacancy. The plan is tight but there would be a request for more resources if it was thought necessary.
- The Audit Working Group will follow up on Section 106s at their meeting in June.

Councillor Glynis Phillips suggested asking all councillors for suggestions on the plan to improve understanding and ownership of it.

**RESOLVED: to note the Internal Audit Strategy for 2019/20 and 2019/20 Internal Audit Plan.**

## **29/19 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL 2018**

(Agenda No. 7)

The Chairman introduced the report and explained that the late-circulated revised version of the annual report arose out of the pre-meeting briefing where it was decided that some detail would be helpful on the issues the Committee looked at in response to internal audits report.

The revised version was emailed to Members at 4pm the day before the Committee meeting and printed copies of the changed pages were available at the meeting.

**RESOLVED: to consider the Annual Report and suggest any additions or amendments.**

### **30/19 REPORT FROM AUDIT WORKING GROUP**

(Agenda No. 8)

Sarah Cox introduced the report and responded to Members' comments as follows:

- It is expected that the Director for Planning and Place will attend the June meeting of the working group to follow up on the Section 106 audit.
- There are still actions outstanding on security bonds. There will be a meeting next week to review and officers hope to be able to confirm completion at the next working group meeting.
- On Contingency Care, if all actions have not been implemented by the report in September then officers will be asked to attend at the working group.

**RESOLVED: to note the report.**

### **31/19 EXTERNAL AUDITORS**

(Agenda No. 9)

Paul King gave a verbal update. He announced that he is leaving Ernst & Young at the end of May. He introduced Janet Dawson, a partner in the company, who will take over the audit from June.

Janet Dawson summarised her previous experience with Kent and Essex County Councils and London Boroughs. She also oversees the audit for Oxfordshire Clinical Commissioning Group and will soon be in charge of the Oxford City Council audit.

David Guest stated that there is no change to the timetable and the audit reports will be delivered at the July meeting of the Committee.

The Chairman and Members thanked Paul King for his attentiveness and good humour over the years that he has attended Committee meetings and wished him well in the future.

### **32/19 OXFORDSHIRE COUNTY COUNCIL AND CHERWELL DISTRICT COUNCIL PARTNERSHIP - REVIEW OF GOVERNANCE ARRANGEMENTS**

(Agenda No. 10)

Nick Graham introduced the six month review of the Section 113 partnership agreement with Cherwell District Council. He summarised the four areas reviewed – the terms of the agreement; the decision-making process; the ethical walls arrangements and the scrutiny function.

Members raised various questions and Nick Graham responded as follows:

- On S106 agreements the County and District have different interests – not necessarily in conflict – but two separate solicitors are engaged to represent each.

- The Growth Deal is listed as a potential conflict area to be watched.
- There are already processes for 'dual hatter' councillors to deal with conflicts of interest.
- Officers will circulate information about Item 7 on page 112 Howes Tunnel later.
- The employer has not changed for any staff – where shared, they are loaned to the other authority.
- Most employees are appointed by officers but senior positions are normally appointed by the Remuneration Committee. Where shared the role is delegated to the Joint Committee.
- Complications for shared employees include dual email addresses, security access, regulatory enforcement, separate line managers.
- Shared costs for lawyers are determined by timesheet whereas other officers estimate the breakdown based on other factors including size of undertaking.
- The Head of HR has been appointed since the report was written.

**RESOLVED: to endorse the review of the partnership governance outlined in this report.**

### **33/19 ANNUAL GOVERNANCE STATEMENT 2019-20**

(Agenda No. 11)

Nick Graham introduced the report. Officers responded to issues raised by Members as follows:

- The delay in some actions under Mental Health (Agenda Page 116) is related to delivery of social care for people of working age. Progress will be monitored over the summer.
- The review of Corporate Security (Agenda Page 120) has only just begun due to the problems created by the Carillion collapse. It has been carried over to this year's action plan. The shortage of staff in Facilities Management is a factor – recruitment has been a challenge.
- Regarding the delay in developing a refreshed Procurement Strategy and Policy (Agenda Page 124), there was no Head of Procurement until March. The procurement cycle is being reviewed under the transformation programme. While the outcome has been delayed there will be a comprehensive strategy in the end.
- Some officers have been trained in Contract Management Skills (Agenda Page 125) but it has not been completed across the organisation.
- A paper is being produced on the effective use and management of the Council's properties (Agenda Page 122) and it is expected that it will include an action plan.
- The SIPFA guidance requires the Monitoring Officer to give a conclusion. It is the Leader of the Council and the Chief Executive who sign off on it.
- The report of the recent peer review is currently with the Chief Executive.

The Chairman asked for the review of corporate security to be an item for the next meeting of the Committee given the urgency of the issue.

**RESOLVED:** to approve the Annual Governance Statement 2018/19, subject to the Director of Law and Governance making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, Chief Executive and Section 151 officer.

### **34/19 REPORT FROM TRANSFORMATION SUBCOMMITTEE**

(Agenda No. 12)

The Chairman, who is also Deputy Chairman of the Transformation Subcommittee, summarised the report from the second meeting of the Subcommittee. The next meeting in July will examine the IT health check.

**RESOLVED:** to note the report.

### **35/19 ANNUAL SCRUTINY REPORT**

(Agenda No. 13)

Ben Threadgold introduced the report. He asked the Committee to note that the co-option of Anita Higham to the Health Overview and Scrutiny Committee from September 2018 (Agenda Page 165, paragraph 6.23) has yet to be confirmed as a potential conflict of interest relating to her membership of other bodies needs to be resolved.

Members made the following suggestions:

- the Performance Scrutiny Committee (PSC) needs to make better use of the annual session with the Chief Constable and the Police and Crime Commissioner with the areas to be discussed outlined in advance.
- although the recommendations from the Cabinet Advisory Group looking at Home to School Transport will go to Cabinet, the PSC should request a report on the item given that this issue had been subject to a Call-in.
- it was noted that there were inconsistencies in how the forward plans of the various scrutiny committees were presented in the report.

The Chairman asked about the expected timespan of Horton HOSC. Ben Threadgold stated that it would continue only for the duration of the consultation process but there was no fixed timescale for that.

**RESOLVED:** to comment on the report prior to its presentation to Council for approval.

### **36/19 ACCOUNTING POLICIES FOR PREPARATION OF THE STATEMENT OF ACCOUNTS AND THE APPROACH TO THE NARRATIVE STATEMENT**

(Agenda No. 15)

The report was introduced by Hannah Doney. The new format for the Notes to the Core Financial Statements is designed to be better for computer screens which is how most people view the document now. The notes cover just 11 pages this year compared to 18 last year as part of the policy to make it more accessible.

Members raised a number of issues and Hannah Doney responded as follows:

- The £2,000 de minimis for schools local capital spend has not changed in the last few years though these figures are reviewed each year.
- The notes apply to the current financial year (2019/20).
- Cash bonds do not appear in reserves because they are not the Council's money but there is a matching liability. The auditors are content with the way cash bonds are treated in the accounts.

The Narrative Statement will be circulated to the Members of the Committee in draft form on 17 May 2019 and they will have seven days to respond.

**RESOLVED: to**

- a) **note the report;**
- b) **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix to this report; and**
- c) **note the content and timetable for the 2018/19 narrative report.**

## **37/19 GOVERNANCE OF THE OXFORDSHIRE LOCAL ENTERPRISE PARTNERSHIP**

(Agenda No. 16)

Nigel Tipple, Chief Executive of OxLEP, gave a presentation on the Partnership's governance. He responded to issues raised by Members as follows:

- Currently AGMs are open to the public but all Board meetings will be open from September and will take place in different locations around the county.
- Currently five of the 18 members of the Board are female. By March 2020 one third of Board members must be female and by 2023 it must be 50:50.
- Lack of age diversity is also a problem with most members over 50 and all over 40.
- There are Community Employment Plans to identify skill needs and provide training. Apprentice ambassadors have also been appointed to promote that option.
- OxLEP is working with health organisations to promote jobs in the health and social care sectors as career paths.
- Generally, the jobs created pay well above the Living Wage but grants cannot be made dependent on this as the criteria are set by others. This could be discussed in the next consultation round.
- The graph on Success by Sector is based on figures for 2017/18 and the proportion for the retail sector is skewed for that year due to the opening of the Westgate Centre and developments in Bicester Village.
- OxLEP is pushing for the geographical ring-fencing of apprenticeship funds so that unused funds can be used locally.

- With regard to the proposed Oxford-Cambridge Expressway, OxLEP have asked that greater consideration be given to the “last-mile” issues i.e. how traffic gets from the Expressway to the local destination.
- Confidential issues are sometimes discussed in a “pre-meet” before the board meeting. The schedule of meetings can be circulated to all councillors.

The Chairman thanked the Chief Executive for his presentation and for coming to the Committee to discuss governance of OxLEP.

### **38/19 HIGHWAYS UPDATE**

(Agenda No. 17)

Owen Jenkins presented the report and, along with Simon White, Operations Director Skanska, responded to questions from Members as follows:

- The remaining issues (Agenda Page 178) with the contract should be resolved by the end of June. Skanska put significant resources into solving the problems at no cost to the County Council.
- Officers are confident that, while targets have been missed in the past, the next three months will demonstrate that the system is compliant. All milestones have been hit in the last six months.
- In the high level review all looks correct but there will now be a detailed check.
- Profit payments are made to Skanska dependent on key indicators. They have qualified for around 70-80% of the total available payments in recent years.

**RESOLVED: to note progress to date.**

### **39/19 OXFORDSHIRE FIRE AND RESCUE SERVICE STATEMENT OF ASSURANCE 2018/19**

(Agenda No. 18)

Grahame Mitchell introduced the report. Officers responded to Members’ questions as follows:

- Personnel specially trained to operate in the ‘warm zone’ in terrorist incidents will be equipped with ballistic protection.
- Relations with the Fire Brigades Union are very good as both organisations share the same values. They have been particularly helpful with Health and Safety issues.
- The service has a duty to investigate the cause of incidents but doesn’t attribute blame. Follow-up actions are taken when necessary.
- The service recognises that a lot of buildings are reaching the end of being fit-for-purpose. Assets are being modelled with a view to creating a 2050 Vision which will involve a stepped approach. The Chipping Norton building is shared and this may be the way forward in a lot of cases.

Members particularly noted the figures on Agenda Page 202 which show how efficient OFRS is when benchmarked against other services in the region. The Chairman asked that greater publicity be given to this. Grahame Mitchell noted that



the report from the inspectors will be available soon and that will provide an opportunity to promote the service.

**RESOLVED: to approve the report.**

#### **40/19 CARILLION RECOVERY PLAN UPDATE**

(Agenda No. 19)

Owen Jenkins and George Eleftheriou gave a verbal update on the current status of the recovery from the collapse of Carillion and responded to Members' questions:

- The Property and Facilities Management (FM) sections have been brought together again under the Assistant Director for Community Facilities Management in the last two months.
- £2m was allocated to deal with urgent issues of which £1.2m has been spent. Health & Safety impacts were prioritised and some of the spend covered survey costs.
- Surveys have been completed but have thrown up some issues that require further survey work.
- 602 items have been identified. 440 are estimated to cost less than £20,000. Some are being handled by FM and some have been contracted out. Officers can give a further update in the autumn.
- The 602 items include "snag lists" that had already been compiled by Carillion.
- The recovery plan is expected to be a three year project.

#### **41/19 EXEMPT ITEM**

(Agenda No. 20)

**RESOLVED: that the public be excluded for the duration of Item 21 in the Agenda since it is likely that if they were present during that discussion there would be a disclosure of "exempt" information as described in Part I of Schedule 12A to the Local Government Act, 1972 and specified below the item in the Agenda and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

#### **42/19 CARILLION LEGACY PROGRAMME - NEGOTIATION ACTIVITY**

(Agenda No. 21)

The Committee considered a report from the Director of Community Operations on the main issues arising from the negotiation activity on the Carillion Legacy Programme.

*The public was excluded during this item because its discussion in public was likely to lead to the disclosure to members of the public present of information in the following prescribed categories:*

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information);

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that the disclosure could affect the negotiations with the liquidators of Carillion.

**RESOLVED: to note the content of the report.**

## **43/19 WORK PROGRAMME**

(Agenda No. 22)

It was agreed to add the following items to the work programme:

11 September: add Oxford Direct Services audit

13 November: add Highways Update

..... in the Chair

Date of signing .....