

AUDIT and GOVERNANCE COMMITTEE – 25 April 2018

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Wednesday 4 April 2018.

Attendance:

Full Meeting:

Chairman Dr Geoff Jones; Cllr Roz Smith; Cllr Helen Evans; Cllr Ian Corkin; Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Katherine Kitashima, Principal Auditor, Joanne Hilliar, Auditor (minutes)

Part Meeting:

Cllr Nick Carter, Cllr John Sanders, Bev Hindle, Strategic Director Communities & Alexandra Bailey, Director for Property & Investment, Lorna Baxter, Director of Finance, Nick Graham, Director of Law and Governance, Glenn Watson, Principal Governance Officer, Christian Smith, Principal Solicitor Contracts, Paul Bremble, Organisational Assurance Manager, Tim Chapple, Financial Manager (Treasury).

Matters to Report:

AWG 18.02 Annual Governance Statement, including Corporate Lead Statements

Nick Graham and Glenn Watson presented the Annual Governance Statement and Corporate Lead Statements for 2017/18. The group discussed how the Corporate Lead Statements are produced and then reviewed and challenged through the Corporate Governance Assurance Group who then identify from these statements any weaknesses in the control environment for further monitoring.

The Group reviewed the Annual Governance Statement and draft action plan and had detailed discussions in areas of Property, Health & Safety, Fit for the Future, SEND, ICT and Procurement.

The group suggested that the wording against the action planned for 2018/19 for Property should specifically refer to the Health & Safety assurance issues highlighted in the Corporate Lead Statement. The group queried whether there would also be a specific action included for Procurement to highlight the planned improvements for 2018/19. Further review of whether a specific action regarding ICT will also be considered for the 2018/19 action plan prior to this being brought back to the Audit & Governance Committee.

The group commented that it would be useful to also include clearly defined outcomes against each action to support monitoring of progress and effectiveness of implementation.

The Group were satisfied with the processes in place to produce the Annual Governance Statement. The updated draft Annual Governance Statement will be presented to the April Audit & Governance Committee. The Annual Governance Statement is due to be published by the end of May 2018 with the draft accounts.

AWG 18.03 Fire & Rescue Statement of Assurance

The Fire and Rescue National Framework for England (the Framework) sets 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.

This statement of assurance feeds into the overall OCC Annual Governance statement was presented to the group by Paul Bremble.

The Group reviewed and offered comments on the Statement of Assurance, considering areas of the report which commented on risk management, governance arrangements, structures and performance targets. The Statement of Assurance will be presented to the April Audit & Governance Committee.

AWG 18.04 Exemptions to Contract Procedure Rules

Following an address made by Cllr Sanders to the March Audit & Governance Committee, the Committee requested that the AWG consider the procedures for reporting agreed contract exemptions. Nick Graham presented a report to the group outlining the current process.

The group noted that that Members can seek access to the information by direct request. It was agreed that the wording of the reporting of this information provided to Cabinet will be reviewed and where appropriate enhanced. This will be reviewed for the next quarterly report to Cabinet.

AWG 18.05 Update of Capital Programme Audit

The group had previously considered the audit of the Capital Programme which had an overall grading of Red. Bev Hindle, Alexandra Bailey and Lorna Baxter attended to provide the group with a further update on implementation progress.

The group noted the significant work being undertaken to embed the improved governance framework and processes, including the review of the current process for prioritisation of the capital programme. Improvements to Member engagement and reporting was also discussed.

The group noted that a follow up audit is planned during 2018/19 and that this would include funding from the Oxfordshire Housing and Growth Deal. The group will review the outcomes of the follow up audit and then consider whether officers will be required to attend a future meeting.

The group discussed whether the Audit & Governance Committee could receive a presentation on the governance arrangements for the new Housing and Growth Deal, including Oxfordshire's role as the accountable body. This will be considered for inclusion at the July Committee.

AWG 18.06 Northamptonshire Inspection Report

It was requested at the April Audit & Governance Committee that the AWG consider the Northamptonshire Inspection Report. Lorna Baxter attended for this item and the weaknesses and key issues emerging from the report were discussed by the group:

- *Poor clarity and accountability in terms of structure of the Council and working arrangements*
- *Lack of clarity and no evidence to support a new operating model*
- *Lack of cohesiveness in senior management team*
- *Poor culture relating to challenge and criticism*
- *Scrutiny by Audit Committee not effective*
- *Scrutiny arrangements limited and issues around access to information*
- *Lack of accountability and deliverability of savings targets*
- *Effectiveness of financial management*
- *No budgetary control*
- *Unplanned and significant use of one-off resources to balance budget in-year*

The group considered any potential issues for Oxfordshire. The group also noted the significant difference in performance when reviewing the comparative information between Northamptonshire and Oxfordshire, for example delivery of the savings plans.

The key message from review of the report is to ensure that financial management within Oxfordshire is as strong as it can be. The group were pleased to note the following financial management actions are already planned:

- *Undertake a self- assessment of organisational financial management using the CIPFA Financial Management Toolkit*
- *Refresh Financial Regulations to include stronger focus on compliance*
- *Develop and deliver Financial Management responsibilities refresher training*
- *Restructure and re-define the Finance Function so it better supports the changing needs of the organisation*
- *Review the overall governance framework to ensure it is working effectively and supporting the needs of the organisation*
- *Document and agree structured financial reporting to DLTs, CLT, Informal Cabinet and PGL*
- *Improve financial reporting to Cabinet & Performance Scrutiny Committee including inclusion of FFF project tracking and possible reporting of Capital Programme separately*

AWG 18.07 Internal Audit Update

The group received an update from the Chief Internal Auditor on progress against the Internal Audit Plan and the Counter Fraud Plan.

Reports graded red status from 2016/17 of Capital Programme and Mental Health, and from 2017/18 the audits of S106 and VAT, continue to be monitored by the AWG. Officers attended the meeting of April 2018 to provide updates on implementation of action plans for Capital Programme.

The follow up audit of Mental Health has now been completed. This has highlighted that sufficient improvements have not been made since the last audit and the overall conclusion remains Red. The group noted their concerns with the lack of progress in addressing the weaknesses identified during the initial audit. The executive summary of the finalised report will be presented to the April Audit & Governance Committee and the Director and Deputy Director will be requested to attend the June AWG to provide an update regarding the findings from the recent audit and assurances regarding implementation of the action plan.

The audit of Security Bonds has just been concluded, whilst currently at draft report stage the overall conclusion is likely to be graded as Red. It was agreed the full report will be presented to the June AWG with officers invited to attend.

The group noted their concerns from the recent audit of Safer Recruitment which highlighted weaknesses in respect of recording of DBS checks and 3-year renewals. The group requested that the Director of HR attend the April Audit and Governance Committee to provide an update on the issues identified by the audit.

AWG 18.08 Treasury Management / Impact of Brexit

The Audit & Governance Committee requested that the AWG consider Treasury Management and the Impact of Brexit.

The group received a report from Tim Chapple and noted the potential risk areas being considered from a Treasury Management perspective, acknowledging that some of the risks are impossible to quantify until further details emerge.

Date of next meeting Wednesday 27 June 2018, 2pm

Recommendations

The Committee is recommended to note the report.

Lorna Baxter
Chief Finance Officer

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