

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 14 November 2018 commencing at 2.00 pm and finishing at 5.00 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

Non-voting Members: Dr Geoff Jones

Other Members in Attendance: Councillor Ian Corkin (for Agenda Item 10)

By Invitation: Simon White, Operations Director, Skanska
Ruth Plucknett, Ernst & Young

Officers:

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

Part of meeting

Agenda Item

	Officer Attending
5	Owen Jenkins, Director for Infrastructure Operations
6	Alexandra Bailey, Director, Capital, Investment and Delivery; Varinder Raulia, Assistant Director, Infrastructure Delivery
7	Tim Chapple, Financial Manager – Treasury
9, 10, 12	Nick Graham, Director for Law and Governance

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.

13/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies.

14/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

15/18 MINUTES

(Agenda No. 3)

The minutes of the meetings on 6 September 2018 and 12 September 2018 were approved and signed.

Officers responded to matters arising raised by Members as follows:

4/18: 5 interviews have taken place with Members on the subject of organisational financial management – 3 since the last meeting of this Committee. The feedback will be included in the January 2019 report.

5/18: The Senior Auditor post was advertised with a closing date of Monday 19 November 2018.

10/18: The Monitoring Officers have not managed to meet yet – the next possible date is 23 November 2018. The government has issued a response to the Committee on Standards in Public Life's report on Intimidation in Public Life which will be circulated to Members of the Committee.

16/18 HIGHWAYS UPDATE WITH SKANSKA

(Agenda No. 5)

Owen Jenkins introduced the presentation outlining the history of the contract with Skanska to date and the remaining audit issues. Simon White, Operations Director with Skanska updated Members on the latest situation with the SkanWorks software which is an important element in the financial control for the contract.

Members raised issues which were responded to as follows:

- In monitoring quality, the feedback from councillors and the public is important in pinpointing problems.
- Each piece of work must be registered on the system from a pothole to a major project but most records are for small works.
- The problem with the software system is in demonstrating costs at a work-order level. They are satisfied that the high-level costs are correct.
- The base software system is used for a variety of businesses. The problem is in handling the specific provisions of the OCC contract.
- The next consideration of a contract extension will be in March 2019.

- The issue causes a delay in payments to Skanska – on average about a three-month delay. There is therefore likely to be around £9m due to Skanska at any given time.
- Officers will circulate to Members rolling data on the delayed payments.
- There is no danger of the problem causing serious financial problems for Skanska which is a global company but they are concerned about reputational damage and want to get the contract extensions.
- OCC knows the general cost of works before they are ordered but the final payments are based on actual costs.
- This type of contract is not that unusual. Many are based on scheduled rates but there are criticisms of that system too.

Members acknowledged the good work on the ground and that the SkanWorks issues were clouding this. It was agreed to receive an update again at the March 2019 meeting after the Internal Audit report.

17/18 UPDATE ON THE CARILLION RECOVERY & IMPROVEMENT PLAN

(Agenda No. 6)

Alexandra Bailey summarised the report and introduced a new member of her team dealing with the Carillion recovery Varinder Raulia.

Officers responded to matters raised by Members as follows:

- The liquidators have a duty to secure the assets of Carillion. They will tell OCC how much they think we owe Carillion and we will tell them how much Carillion owes us. Officers are confident that the figure owed to OCC will be the higher one.
- The team is examining the issue of latent defects – unknown future problems that would have been Carillion's responsibility to fix. Obtaining insurance externally does not appear to be an option so they are looking at what others have done with self-insurance.
- Other Carillion clients have entered agreements with the liquidators to continue work but OCC had already agreed to exit Carillion contracts before the collapse.
- Work has been undertaken to examine the situation with subcontractors.
- The recovery team will have a broad-brush estimate of costs for the budget process at the end of the year.
- The situation for local schools is being discussed at locality meetings. The full list of projects can be recirculated to Members.
- OCC has to do the costings itself to avoid conflicts of interest.
- Some have unreasonable expectations regarding what the Council can do and officers would welcome Members' help in dealing with that.

RESOLVED to:

- a) consider and comment on continuing progress in implementation of the Carillion Recovery & Improvement Plan;**
- b) note that the costs relating to rectification will be considered within the Council's annual budget cycle and processes for 2019/2020.**

18/18 TREASURY MANAGEMENT MID TERM REVIEW 2018/19

(Agenda No. 7)

Tim Chapple introduced the report covering April to September 2018. He and Lorna Baxter responded to Members' questions as follows:

- OCC may be paying slightly higher interest rates than other councils but this is because all of the debt is historical whereas rates have been lower in recent years.
- The Treasury Management team takes the advice of Arlingclose on board but makes its own decisions.
- The Council is looking to increase exposure to external funds up to £100m with a balance across asset classes to limit volatility.
- The Council had not previously increased external fund balances until more certainty around the level of core cash and S106 fund. There is more confidence in that.

RESOLVED to:

- a) **note the report; and**
- b) **recommend Cabinet to note the report and to RECOMMEND Cabinet to note the Council's Mid-Term Treasury Management Review 2018/19.**

19/18 EXTERNAL AUDITORS

(Agenda No. 8)

Ruth Plucknett stated that there was little new to report as they were developing the audit plan which will come to the Committee at the January 2019 meeting. She confirmed that interim work has been scheduled for March 2019 before the financial year end.

20/18 ESTABLISHING A JOINT SUB-COMMITTEE FOR THE FIT FOR THE FUTURE PROGRAMME

(Agenda No. 9)

The Chairman stated that the proposed Joint Committee had been approved by the Performance Scrutiny Committee at its meeting on 6 September 2018. If the Joint Sub-Committee is approved, both Chairman will discuss the membership with the Political Group Leaders. Members of the Committee should notify him if they are interested in being on the Joint Sub-Committee.

Nick Graham responded to Members' questions as follows:

- January would be a realistic date for the inaugural meeting.
- The Sub-Committee can report to either parent committee of both.
- It can make recommendations to Cabinet through the normal scrutiny procedure.
- Substitutes will be allowed.

- It was agreed that in paragraph 15 of the report, the word “distinct” should be “district”.

RESOLVED to:

- a) Agree to the establishment of a joint Sub-Committee of the Performance Scrutiny and Audit & Governance Committees as set out in paragraphs 18-20.**
- b) Agree to the terms of reference set out in Annex 1.**

21/18 PARTNERSHIP ARRANGEMENTS WITH CHERWELL DISTRICT COUNCIL - JOINT COMMITTEES

(Agenda No. 10)

Nick Graham introduced the report and stated that a Partnership Working Group was already in place examining joint working, business cases and risks. He responded to Members' questions as follows:

- Having “dual-hatters” involved should be an advantage since they see both perspectives.
- Services will already have KPIs and bringing services together will not change the KPIs.
- The Committees will have to explore how it all works and it is expected that arrangements will evolve.
- The Joint Appeals Committee will only deal with cases of senior staff who should not have a problem meeting with a large panel.

RESOLVED to:

- a) agree that the proposed Joint Personnel Committee be named ‘The Joint Shared Services and Personnel Committee’;**
- b) approve the proposed terms of reference for the Joint Shared Services and Personnel Committee (as in Annex 1); and**
- c) approve the proposed terms of reference for the Joint Appeals Committee (as In Annex 1).**

22/18 SENIOR STAFFING ARRANGEMENTS

(Agenda No. 12)

Nick Graham introduced the report which outlined proposals to clarify which senior officers are appointed by the Remuneration Committee following the introduction of Strategic Directors.

Responding to Members' questions, Nick Graham stated that new vacancies will continue to be advertised widely although interim appointments are often made to bridge the gap. Strategic Directors are non-statutory positions but will still be appointed by the Remunerations Committee.

RESOLVED to

- (a) endorse the proposed changes to appointments in paragraphs 10 and 11;**
- (b) ask Full Council to approve these changes accordingly including the necessary changes to the Pay Policy Statement; and**
- (c) agree that the Monitoring Officer make the necessary textual amendments to the Constitution to give effect to Full Council's decision.**

23/18 QUARTERLY UPDATE: COUNTER FRAUD STRATEGY AND PLAN FOR 2018/19

(Agenda No. 11)

Sarah Cox introduced the report and stated that it showed that the Council is serious about tackling fraud. As a public report it cannot include confidential details on cases but those can be discussed at the Audit Working Group.

Members raised issues on the report and officers responded as follows:

- Low-level cases are unlikely to go to court and are more likely to result in a repayment and caution. One case subject to a current investigation may go to court.
- With regard to whistleblowing referrals, some of these are passed to Senior Management or HR to investigate. Internal Audit's role is to oversee and monitor the outcomes.
- There are current referrals in respect of direct payments which Internal Audit are reviewing with the Directorate, this has led to a wider piece of work to ensure that identification and referral reporting routes are clear.
- The City Investigation Team is now managing the recording of referrals on the fraud log. All issues go to Internal Audit first and they triage which cases to refer to the City Council team.
- Whistleblowing is encouraged – for example through articles on the Intranet – and whistle-blowers are treated confidentially and are well supported.
- OCC does not use non-disclosure agreements.

RESOLVED to: comment and note the progress update regarding Counter Fraud Strategy and Plan for 2018/19.

24/18 AUDIT WORKING GROUP REPORT

(Agenda No. 13)

Sarah Cox summarised the report and asked the Committee if they wished to replace Councillor Ian Corkin who was on the Audit Working Group but has now stood down from the main Committee. It was suggested that the remaining three members with three substitutes were sufficient to ensure enough attendance.

It was agreed that the Chairman will discuss this with Councillor Charles Mathew after the meeting and that Councillor Jeannette Matelot is available to be a fourth substitute if required.

RESOLVED to note the report.

25/18 WORK PROGRAMME

(Agenda No. 14)

The following changes were agreed:

Additions to January 2019-

Financial Management Action Plan Update (Lorna Baxter)

Update on the Carillion Recovery Plan (Alexandra Bailey)

Review of effectiveness of internal audit (Glenn Watson)

Moved from January to March 2019-

Governance of the Housing and Growth Deal

Additions to March 2019-

Governance of Oxfordshire Local Enterprise Partnership

Highways Update (Owen Jenkins)

Section 117 Aftercare funding

Councillor Roz Smith asked that the Committee look at the partnership agreement with Oxford Direct Services at the March or May meeting.

..... in the Chair

Date of signing