



Audit & Governance Committee Wednesday, 12 September 2018

ADDENDA

3. Minutes (Pages 1 - 10)

To approve the minutes of the meeting held on 25 July 2018 and to receive information from them. (Deferred from the meeting on 6 September 2018.)

The minutes of the meeting held on 6 September 2018 will be taken at the next meeting on 14 November 2018.

12. Audit Working Group Report (Pages 11 - 12)

4.30

This report presents the matters considered by the Audit Working Group Meeting of 5 September 2018.

The Committee is recommended to note the report.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 25 July 2018 commencing at 1.30 pm and finishing at 5.30 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)

Councillor Ian Corkin

Councillor Charles Mathew

Councillor D. McIlveen

Councillor Les Sibley

Councillor Roz Smith

Councillor Liz Brighthouse OBE (In place of Councillor Helen Evans)

Councillor John Howson (In place of Councillor Paul Buckley)

Non-voting Members: Dr Geoff Jones

By Invitation: Paul King, Ernst & Young
Jenny Lewis, Director of HR, Hampshire County Council

Officers:

Whole of meeting Lorna Baxter, Director for Finance; Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Officer

Part of meeting

Agenda Item	Officer Attending
7	Hannah Doney, Strategic Finance Manager (Accounting and Reporting)
9	Tim Chapple, Financial Manager (Treasury)
12, 13	Nick Graham, Director for Law and Governance
14	Steve Munn, Director for HR; Fiona Percival, County HR Manager
15	Frank Dick, Interim Programme Manager, Property & FM

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 schedule, copies of which are attached to the signed Minutes.

35/18 ELECTION OF CHAIRMAN FOR THE COUNCIL YEAR 2018/19

(Agenda No. 1)

Councillor Liz Brighthouse moved and Councillor John Howson seconded that Councillor Roz Smith be elected Chairman of the Committee for the 2018/19 Council Year.

Councillor Tony Ilott moved and Councillor Charles Mathew seconded that Councillor Nick Carter be elected Chairman of the Committee for the 2018/19 Council Year.

Both nominations were put to a vote. There were 3 votes for Councillor Roz Smith and 4 votes for Councillor Nick Carter.

RESOLVED: that Councillor Nick Carter be elected Chairman of the Committee for the 2018/19 Council Year.

36/18 ELECTION OF DEPUTY CHAIRMAN FOR THE COUNCIL YEAR 2018/19

(Agenda No. 2)

Councillor Nick Carter moved and Councillor Charles Mathew seconded that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2018/19 Council Year.

RESOLVED: that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2018/19 Council Year.

37/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Apologies were received from Councillor Paul Buckley (Councillor John Howson substituting) and Councillor Helen Evans (Councillor Liz Brighthouse substituting).

38/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 4)

In relation to Agenda Item 12, Councillor Ian Corkin and Councillor Tony Ilott declared that they were also councillors for Cherwell District Council.

39/18 MINUTES

(Agenda No. 5)

The minutes of the meeting of 25 April 2018 were approved and signed.

The Chairman asked Officers for updates on a number of items arising from the minutes:

- 26/18: Ian Dyson responded that he did not have an update on the delay in providing a centre for placements of Looked After Children but he undertook to look into it.

- 29/18: Sarah Cox reported that there is a GDPR Audit underway now which will find if there is any issue with leavers still on the IT system.

40/18 INTERNAL AUDIT CHARTER

(Agenda No. 10)

Sarah Cox introduced the report. It is a requirement of the Public Sector Internal Audit Standards to have an Internal Audit Charter and it is subject to annual approval by the Audit & Governance Committee. An external assessment by CIPFA was very positive, identifying a small number of minor improvements. All of their recommendations have been implemented.

Members thanked the Audit Team for their work in completing the recommended actions and asked what kind of changes have been made. Sarah Cox gave an example where a reference to the standards should have been included. The full list of recommendations is in Appendix 3.

RESOLVED: to

- a) **approve the Internal Audit Charter;**
- b) **note the Quality Assurance and Improvement Programme; and**
- c) **note that the recommendations from the External Assessment have been fully implemented.**

41/18 COUNTER-FRAUD PLAN 2018/19

(Agenda No. 11)

Sarah Cox introduced the report. In March when the Committee was last updated on this it looked like a partnership with Oxford City Council would soon be in place. While that is still the long-term goal, the plan for the next year or two will be for the City Council to deliver an investigation service and receive referrals. It is expected that this will result in more proactive investigations.

Members raised a number of issues and Officers responded as follows:

- A more proactive approach includes greater capture of information and improved training.
- The advantages in working with the City Council include:
 - They have the professional expertise and the issues are becoming more complex.
 - They already have links with the District Councils and the County Council's aim is to have an overall view for Oxfordshire.
- Resources will be added if the Council identifies that there is value in it.
- The team has not done school audits for some time – assurance is through sampling – so the conversion of many schools to academies will not free up audit resources.
- The service needs to be promoted as that will have a preventative effect.

- The County Council plans to pay a fixed fee equivalent to 1 full time post or around £30,000.

RESOLVED: to note the Counter Fraud Strategy and Plan for 2018/19.

42/18 STATEMENT OF ACCOUNTS 2017/18

(Agenda No. 7)

The report and addenda were introduced by Lorna Baxter and Hannah Doney. The earlier deadline for completion of accounts and the change in personnel were handled very well and the accounts were ready for signing.

Members raised issues and the following responses were given by Officers and Paul King of the external auditors, EY:

- The external auditors were happy that the difference of £7.7m between the estimated Pension Fund net asset share for the Council and the actual share was essentially a timing issue, as the actual position was known at the time when the final audit took place, but would not have been known at the time that the draft accounts were prepared. So it was not a reflection of an error or omission on either the part of the actuary or the Council.
- The external auditors are close to resolving the objection lodged to the 2015/16 accounts in respect of LOBO loans. The auditors are also considering further information provided by the Council in respect of the Pension Fund climate risk objection in respect of the 2016/17 accounts. It is not anticipated that the outcomes will have an impact on the accounts or Value for money Conclusion.
- The external auditors would not advise on the Pension Fund investment strategy. They would consider whether risk has been considered properly and that professional advice is taken. The decision that the costs of valuing heritage assets would be disproportionate was taken several years ago by officers. This mostly related to the County Museum. Building valuations are included.
- Regarding security bonds, such as those from S106 agreements, guarantees do not feature as assets.
- If a school voluntarily becomes an academy it must pay any deficit balance to the Council.
- The total of current claims relating to Municipal Mutual Insurance Plc is around £4m. New claims this year were around £50,000.
- It was agreed to supply information regarding the use of funds from the Thomas Gifford Charity and the value of Cogges Museum on the balance sheet after the meeting.

RESOLVED: to

- a) **Consider and approve the Statement of Accounts 2017/18 at Annex 1;**
- b) **Note the Summary Accounts 2017/18 at Annex 2;**
- c) **Agree the addition to the Annual Governance Statement as described in paragraph 8 of the Addenda to the Statement of Accounts 2017/18;**

- d) Consider and approve the Letter of Representations 2017/18 for the Oxfordshire County Council accounts at Annex 3;
- e) Consider and approve the Letter of Representations 2017/18 for the Oxfordshire Pension Fund accounts at Annex 4;
- f) Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the Statement of Accounts 2017/18 and / or letters of representation that may arise during completion of the audit.

43/18 ERNST & YOUNG - FINAL ACCOUNTS AUDIT

(Agenda No. 8)

Paul King introduced the audit results reports for Oxfordshire County Council and the Oxfordshire Pension Fund. He noted that some of the issues he had wished to address had already been discussed under the previous item. There were no issues with meeting the earlier deadline for publishing the audited statement of accounts, and thanked the Council's finance team for their help and support in meeting the deadline, or with the change of custodian for the pension fund.

Members raised a number of issues on the report which Paul King addressed as follows:

- The external auditors absorbed the fee for specialist valuation advice on the museum building evaluation last year but cannot do so this year. Similarly, the issues relating to the significant risk to the Value for Money Conclusion concerning Carillion will result in extra fees.
- The graph on page 260 is included to demonstrate that the planned use of reserves and projected savings should result in a continued reducing trajectory for borrowings.
- The external auditors can confirm that from the information and evidence available, the Council has the discretion to charge for DIY waste.

RESOLVED: to note the reports.

44/18 TREASURY MANAGEMENT OUTTURN 2017/18

(Agenda No. 9)

Tim Chapple introduced the report which addressed debt and investment activity. No new borrowing was arranged during 2017/18. Performance indicators show that Oxfordshire had a higher than average rate of return with a lower than average risk.

Officers responded to Members' questions as follows:

- The benchmarking club is not required for risk monitoring but the statistics are useful to know and there is no fee.
- The Council had two loans with Northamptonshire County Council. One has been repaid and the other is expected to be repaid on time on 7 September 2018. The Section 114 notice does not apply to expenditure already contracted.

- Officers meet with Arlingclose advisors twice a year and are in regular contact. The maturity limits listed on Page 333 of the Agenda are those advised by Arlingclose.

RESOLVED: to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2017/18.

45/18 JOINT WORKING ARRANGEMENTS WITH CHERWELL DC: MANAGING CONFLICTS OF INTEREST

(Agenda No. 12)

Nick Graham introduced the report which set out how the joint working arrangements with Cherwell District Council (CDC) will manage conflicts of interest. The Council already has arrangements to deal with any conflicts that can arise for existing staff.

Members welcomed the reference to the importance of “auditable correspondence” in maintaining transparency in the procedures.

Councillor Ian Corkin and Councillor Tony Ilott, who are both also members of Cherwell District Council, welcomed the report. Their experience of joint working arrangements with South Northamptonshire Council (SNC) was a positive one and they emphasised the importance of a clear Section 113 agreement.

Councillor John Howson noted that the arrangements would need to include references to ‘dual hat’ councillors as that did not arise in the CDC/SNC arrangement.

Nick Graham responded to Members’ questions as follows:

- He felt that it was better to present this document first rather than bring all documents to the next meeting and possibly overload the agenda. The next step – the Section 113 agreement – is being drafted.
- He emphasised the wording that the Councils “will endeavour to” avoid adopting contradictory policies. It does not say “must”.
- This arrangement is different from that with Hampshire which has no shared teams.
- The process will be overseen by the Monitoring Officer and the Committee will receive regular updates as specified in recommendation b).

Members discussed the wording of recommendation c) and agreed amendments to make it clear that changes to the Constitution will only be made following the endorsement by the Committee of the Section 113 agreement.

RESOLVED: to

- (a) **To note and endorse the potential adoption of a conflicts of interests protocol and ethical walls policy;**
- (b) **To regularly monitor the operation of the protocols and policy; and**

- (c) **To delegate authority to the Monitoring Officer to make any further adjustments to these documents and bring them back to the next meeting of the Committee with the S113 agreement for endorsement and make the necessary changes to the Council's Constitution thereafter.**

46/18 COUNTY RETURNING OFFICER APPOINTMENT

(Agenda No. 13)

Nick Graham introduced the report. The current Chief Executive, Peter Clark, has been the Council's Returning Officer since 2015. As he is leaving with effect from the 30 September 2018, it is necessary to appoint a replacement and it is this Committee's delegated decision to make the appointment. The new Joint Chief Executive, Yvonne Rees, has considerable experience in this area and it is proposed to appoint her as Returning Officer from 1 October 2018.

RESOLVED: to appoint Yvonne Rees, in her capacity as Joint Chief Executive and Head of Paid Service, to the role of County Returning Officer as from 1 October 2018.

47/18 SAFER RECRUITMENT AUDIT

(Agenda No. 14)

Steve Munn introduced the report which updated the Committee on progress on resolving the IT issue relating to DBS checks since the last report in April. He emphasised as stated in paragraph 7.1 of the report that no employees have been recruited without having the required DBS check at point of recruitment.

Steve Munn, Fiona Percival and Jenny Lewis of Hampshire County Council responded to points raised by Members as follows:

- The training and guidance for managers includes the importance of checking employment history, including any gaps.
- The current policy of reviewing DBS checks every three years is being reviewed.
- Taxi drivers employed on school runs are checked by our transport service and must have a badge.
- The error was sporadic but the software bug has been fixed. Currently the check is manual but it is intended to automate it in the long-term.
- Employees are contractually obliged to disclose convictions. We are recommending that managers ask about this annually in a one-to-one.

RESOLVED: to support the actions being taken to resolve the discrepancies in our recording system and the actions being taken to ensure rechecks are consistently carried out every three years.

48/18 UPDATE ON CARILLION RECOVERY PLAN

(Agenda No. 15)

Frank Dick introduced the report, giving apologies on behalf of Alexandra Bailey who was on annual leave. He summarised the four phases of the Recovery Plan and outlined the progress currently on phase 3 – the assessment of the legacy issues. It is expected that the assessment will cost £1.7m and that can be managed from current resources. The overall cost to the Council of Carillion's collapse is still uncertain but will probably be spread over a five-year programme.

Members noted that concerns had been raised up to five years ago and that an argument was made at the start that there should have been a break clause in the contract.

Officers responded to Members' questions as follows:

- OCC is working with the Local Government Association to organise a conference of councils affected on 2 October in London. The meeting will consider collective action.
- Lessons learned include more robust contract management with clear KPIs and retaining an in-house client function.
- Our finance department is keeping a close eye on other big providers.
- An implementation plan will be drawn up and can be shared with Members.
- Project managers will have the responsibility of communicating with schools affected.
- Surveys will be checked by an in-house team.

RESOLVED: to

- a) **consider and comment on progress in implementation of the Recovery Plan;**
- b) **note that there are likely to be substantial rectification costs relating to a range of legacy issues, which will be more fully quantified following completion of the assessments and audits now underway;**
- c) **note that these costs will be considered within the council's annual budget cycle and processes for 2019/2020.**

49/18 AUDIT WORKING GROUP REPORT

(Agenda No. 16)

Sarah Cox introduced the report and the discussion focussed on the Mental Health Update which still has a red report. Work is continuing on the return of responsibility for over 65s to OCC's locality teams. The issue will be discussed again by the Audit Working Group at its meeting on 5 December 2018.

The discussion has focussed on management of the contract. The Performance Scrutiny Committee could monitor the outcomes. It was agreed that the work of both Committees should be coordinated through the meeting of Scrutiny Chairs.

RESOLVED: to note the report.

50/18 COMMITTEE WORK PROGRAMME

(Agenda No. 17)

The Committee made the following changes to the Work Programme:

12 September 2018

Add "Update on the Financial Management Action Plan".

Add "Joint Working Arrangements with Cherwell".

Defer "Governance of the Housing and Growth Deal" to 14 November 2018.

14 November 2018

Add "Update on Carillion Recovery Plan"

It was agreed to move the start time of the extra meeting on 6 September to 3pm in order to avoid a clash with a political group meeting.

It was agreed to move the start time of the meeting on 12 September to 1.30pm due to the long agenda expected. The private briefing which is scheduled to precede that meeting will now be held between Noon and 1pm.

The Chairman stated that he would review the schedule of meetings with Officers given the number of items that need to be scheduled.

..... in the Chair

Date of signing

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AUDIT and GOVERNANCE COMMITTEE – 12 SEPTEMBER 2018

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Wednesday 5 September 2018.

Attendance:

Full Meeting:

Chairman Dr Geoff Jones; Cllr Nick Carter, Cllr Roz Smith; Cllr Ian Corkin; Cllr Deborah McIlveen, Cllr Charles Mathew, Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor; Tessa Clayton, Principal Auditor, Georgina Cox, Auditor (minutes)

Part Meeting:

Lucy Butler, Director of Children's Social Care, Dan Ruaux, Corporate Parenting Manager, Tim Chapple, Financial Manager (Treasury).

Matters to Report:

Following the resignation of Cllr Evans, this leaves a vacancy on the Audit Working Group. Cllr McIlveen attended the September meeting as nominated substitute for Cllr Evans. It was agreed that membership, including named substitutes of the AWG will be confirmed at the September 12 Audit & Governance Committee meeting.

AWG 18.22 Fostering Update

The group had previously noted during the update report made by the Chief Internal Auditor at the December 2017 meeting that the 17/18 Fostering Audit (overall grading of Amber) had identified insufficient progress in addressing the weaknesses identified from the previous audit. Members of the AWG requested that Officers now attend to provide an updated position on the implementation of agreed management actions from the past audits of fostering.

Lucy Butler and Dan Ruaux attended and provided a progress report. The group noted the work undertaken to implement the action plan and the improved governance, staff training and quality assurance regimes now implemented. The group were satisfied with the progress reported. The group also recognised the work now underway to implement the new Children's IT system and the design of processes and controls within the new system in relation to Fostering.

Members of the group were also provided with an update regarding the current fostering fraud investigation and the weaknesses identified with the current system. The group were satisfied with the action being taken to address these and will receive a full report on the outcomes of the investigation once concluded.

AWG 18.23 Treasury Management Update – ESG approach to investments

The group considered the report from the Treasury Management Team regarding ESG approach to investments. The group identified that the current strategy has no reference to ESG. The group requested that this issue is addressed in the annual strategy which is presented to Audit and Governance Committee during January to outline the council's approach to ESG when making pooled fund investments.

AWG 18.24 Internal Audit Update

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

The group noted that the Senior Auditor has recently been offered a permanent position within the Policy Team and therefore the recruitment process will now be initiated to find a permanent replacement.

The group noted the ongoing follow up of Red reports and have scheduled updates from officers at future AWG meetings to report back on progress of implementation of agreed actions.

The group were updated on progress with developing and signing off the new agreement for working with the Oxford City Investigation Team to support with delivery of counter fraud work. The Audit & Governance Committee will receive a full update at the November committee.

Date of next meeting Wednesday 24 October 2018, 2pm

Recommendations

- a) The Committee is recommended to note the report.**

Lorna Baxter
Chief Finance Officer

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