

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 16 January 2013 commencing at 2.00 pm and finishing at 4.15 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)
Councillor Roz Smith
Councillor Jim Couchman
Councillor Roy Darke
Councillor Caroline Newton
Councillor Larry Sanders
Councillor Lawrie Stratford
Dr Geoff Jones

Other Members in Attendance: Councillor Ian Hudspeth
Councillor Kieron Mallon (for Agenda Item 5).

By Invitation: Mary Fetigan, Ernst & Young.

Officers:

Whole of meeting P. Clark, Monitoring Officer and Head of Law & Culture;
L. Baxter, Deputy Chief Finance Officer; I. Dyson, Chief Internal Auditor; D. Miller, Chief Executive's Office.

Part of meeting

| Agenda Item | Officer Attending |
|--------------------|--|
| 5 | M. Kemp, Deputy Director (Commercial) for Environment & Economy; |
| 9 | H. Doney, Financial Manager – Treasury Management; |
| 11 | S. Collins, Service Manager; |
| 11 | P. Ashby, Strategic Procurement Manager; |
| 11 | K. Thomas, Purchasing Improvements Project Manager (Consultant) |

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][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

1/13 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

An apology for absence was received from Mary Fetigan, Ernst & Young.

2/13 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 21 November 2012 were approved and signed.

3/13 EXEMPT ITEM
(Agenda No.4)

RESOLVED: that the public be excluded for the duration of Item 5 in the Agenda since it is likely that if they were present during that item there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to that item in the Agenda and it is considered that, in all the circumstances of each case, the public interest in exemption outweighs the public interest in disclosing the information.

PUBLIC SUMMARY OF PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC

4/13 LEASED / LICENCED OUT COUNCIL PROPERTY
(Agenda No. 5)

The information contained in the report and annexes is exempt in that it falls within the following prescribed category:

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

It is considered that in this case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would distort the proper process of the transaction and the Council's standing generally in relation to such transactions in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

The Committee considered a report (AG5) which responded to a request from the Committee on 21 November 2012 for the Cabinet Member for Police & Policies and the Deputy Director to report back on Knights Court and other County Council properties which were occupied by third parties where the rent/licence fee was not being collected.

The Committee were addressed by the Cabinet Member for Police & Policies, Councillor Kieron Mallon and the Deputy Director (Commercial) for Environment & Economy, Mr Mark Kemp.

RESOLVED: to ask officers to report back to the Audit Working Group in six months time giving details of any Oxfordshire County Council properties occupied by third parties where rent/licence fees were not being collected.

5/13 ERNST AND YOUNG EXTERNAL AUDITORS

(Agenda No. 6)

The Committee considered the Annual Audit Fee letters 2012/13 for Oxfordshire County Council and the Oxfordshire Pension Fund (AG6). The Letters set out the work that Ernst & Young proposed to undertake for the 2012/13 financial year. The fees reflected the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13.

The members welcomed the decreased fees set out in the letters.

Mary Fetigan then introduced the Audit Committee briefing paper which had been developed by Ernst & Young to update committees on wider public issues which might have an impact on them. She sought the opinion of members as to whether they would find it useful to receive this type of briefing in the future.

Members welcomed the briefing indicating that they found it very useful and that they would wish to continue receiving it in the future.

Mary Fetigan further gave a brief update of the work being undertaken by Ernst & Young. She reported that the team were now well into the planning for the Audit and that they had started their walk through and had agreed a detailed approach to co-ordination with Internal Audit. Officers would bring a detailed report to the meeting in April.

Members thanked Ms Fetigan for her reports.

RESOLVED: to receive the reports.

6/13 ANNUAL GOVERNANCE STATEMENT PROCESS - ANNUAL REVIEW OF THE ASSURANCE FRAMEWORK

(Agenda No. 7)

The Committee had before them a report (AG7) which set out the Corporate Governance Framework for the Committee's consideration.

Mr Clark, in introducing the report, stated that this report was now before members due to a new version of 'Delivering Good Governance in Local Government' Framework being published by CIPFA in December 2012 and the new requirement for Fire Authorities to publish an annual statement of assurance. This would sit alongside the authority's governance statement.

Changes to the external inspection regime, and a move to more ad hoc reporting since the previous framework was agreed, also required an updated means of monitoring any governance issues arising from each inspection.

He indicated that the updated corporate assurance framework had been updated to reflect the changes coming out of the Localism Act and local Government Review. However, it maintained the existing process whereby a corporate lead officer for each

key governance process provided a statement at the year end. This statement would explain what systems they had in place to ensure internal control, and their assessment of the current position across the whole council, identifying areas for improvement where appropriate. Internal Audit would provide an independent assessment of compliance with corporate processes for each directorate.

Directors would continue to be required to sign off certificates at year end confirming that controls were in place and/or that actions were being taken to address any weaknesses identified through this process.

The key responsibility of evaluating the effectiveness of the control environment remained with those charged with that corporate responsibility. Directorates were responsible for addressing any identified weaknesses.

RESOLVED: to approve the revised Corporate Governance Assurance Framework.

7/13 INTERNAL AUDIT PLAN - 2012/13 PROGRESS REPORT AND QUARTER 4 PLAN

(Agenda No. 8)

The Committee had before them the Internal Audit progress report and Plan for quarter 4 2012-13 (AG8) for approval.

Mr Dyson introduced the 2012/13 update against Quarter 4 Internal Audit Plan which was summarised in Appendix 1 to the report. He also reported on the findings of the audit of the Youth Offending Service (Appendix 2) and gave an update of the progress on the Counter-Fraud Plan (Appendix 3).

In relation to a question regarding the 'unacceptable' report for the Riverside Centre, Mr Dyson reported that this situation was unlikely to occur in any of the other hubs as they did not have shops and new Section 151 procedures had been put in place to prevent further occurrences.

RESOLVED: to note the report.

8/13 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2013/14

(Agenda No. 9)

The Committee considered the report to Cabinet on 16 January 2013 (AU9) by the Assistant Chief Executive & Chief Finance Officer on the Treasury Management Strategy Statement and the Annual Investment Strategy for 2013/14.

Mrs Doney introduced the paper and responded to members' questions and comments. The report complied with the technical requirement of the CIPFA Treasury Management Code of Practice and set out the strategy for financing prudential borrowing during 2013/14 using temporary internal balances. The key change in the report this year was that all Prudential Indicators, relating to Treasury Management and Capital, were included as shown in Appendix A to the report. Capital Prudential Indicators were previously approved by members as part of a

separate annex to the annual Service & Resource Planning Report. Members were asked to note that the indicators were still in draft form as they were dependant on updates to the capital Programme.

She further reported that the Council intended to continue to place funds with the external fund manager, Investec Asset Management. Details of this fund and other pooled funds used by the Council, including performance and monitoring, were given in section 8 to the report.

The Council would continue to prioritise the security and liquidity of capital. The Council would aim to achieve investment returns that were commensurate with these priorities. To achieve this, the Treasury Management Strategy Team (TMST) would aim to maintain a balanced portfolio between longer term deposits with high credit quality counterparties and investments in liquid instruments and shorter term deposits with Money Market Funds (MMFs) and high credit quality banks.

Revisions to the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice in 2011 following the granting of the general power of competence to local authorities in the Localism Act 2011 required the Council to state its policy on the use derivatives. This was set out in section 10 of the report.

The Council would continue to benchmark the performance of the Treasury Management function through membership of the CIPFA benchmarking club. In-house performance would also continue to be benchmarked against 3 month London Interbank Bid Rate (LIBID).

The Committee sought further information on the risk and governance elements of the Treasury Management Strategy.

Members then thanked Mrs Doney for such a detailed explanation of the report.

RESOLVED: to note the report to Cabinet.

9/13 DISPENSATIONS FOR FULL COUNCIL

(Agenda No. 10)

The Committee had before them a report (AG10) which sought Councillor's view as to whether a dispensation was required for County Councillors in the setting of the Council's budget where a member held "any beneficial interest in land which is within the area of the relevant authority" (Relevant Local Authorities (Disclosable Pecuniary Interests) Regulations 2012).

Mr Clark reported that Under the former Code of Conduct which had now been abolished by the Localism Act 2011, councillors had personal interests in any matter which might have "affected" or "related to" their land. This was no longer the case for 'disclosable pecuniary interests'. Rather, a councillor now had a disclosable pecuniary interest only when the subject matter concerned their "beneficial interest in land". When the budget was being set, this decision contributed to the setting of the precept. However, the reference point for this was all properties within the respective bands as opposed to any individual one. While under the former Code, express

dispensation was arguably needed, it was considered that this was no longer the case.

He further reported that whilst the setting of a precept may affect the charge payable on a property, it did not affect the value of the property in question. It was also the case that the legislation could have been drafted specifically to require dispensation had this been the intention behind the Localism Act requirements.

There was no national consensus on this matter. At parish and town council level, for instance, the National Association of Local Councils had advised local councils that a disclosable pecuniary interest did arise. However, the Monitoring Officers of Oxfordshire's city and district councils have advised local councils in their area that they do not agree with this view and that a disclosable pecuniary interest does not exist in this case.

In the absence of any definitive national guidance, which had not been forthcoming, it was for each local authority to determine its own approach.

He further stressed that where Monitoring Officers had advised their members that no disclosable pecuniary interest arose, members would in any case be able to demonstrate that they had "reasonable excuse" for not having declared the interest.

Members thanked Mr Clark for his advice and paid tribute to his extended work across the Districts on Governance issues.

RESOLVED: to agree that no dispensation is required with regards to the setting of the Council budget and that County Councillors be advised accordingly.

10/13 PROCURE TO PAY PROJECT - UPDATE

(Agenda No. 11)

The Committee received a brief presentation by Mr Ken Thomas, Purchasing Improvement Project Manager (Consultant) which set out the details of the purchasing improvements project designed to improve the purchasing processes of the Authority. A copy of the presentation is attached to the signed copy of the minutes.

He outlined the stages of the project, the first of which was a number of engagement workshops to be held with service teams to plan, discuss and agree changes. The project team would then bring back issues and recommendations (on which channel to use) for agreement with Finance, Procurement and Audit.

At present there were around 269 requisitioners and the plan was to consolidate those into a team of around 100. These 100 requisitioners would then receive adequate training to provide a 'guidance and gate keeping' service which in turn would improve the quality of the purchasing process ensuring that the level of error was reduced and the percentage of right first time increased dramatically. He gave assurances to members that high level leads would be appointed in the directorates to lead staff through the process.

..... He outlined the timescales for the project, indicating that processes should be in place by the end of March and that targets should be met by the end of September.

RESOLVED:

- (a) to note the report; and
- (b) ask officers to report back to the Audit & Governance Committee once the project was up and running.

11/13 AUDIT COMMITTEE - DRAFT WORK PROGRAMME 2013/14

(Agenda No. 12)

The Committee considered its Work Programme (AG12).

The Committee noted that there was very little business for the meeting in February and that there was a meeting set down for April.

RESOLVED: to cancel the Meeting set down for 27 February 2013 and move any business to the next scheduled Meeting on 17 April 2013.

..... in the Chair

Date of signing 2013