

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 23 April 2014 commencing at 2.00 pm and finishing at 4.23 pm.

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)  
Councillor David Bartholomew  
Councillor Surinder Dhesi  
Councillor Janet Godden  
Councillor Nick Hards  
Councillor Sandy Lovatt  
Councillor Roz Smith  
Councillor Lawrie Stratford  
Dr Geoff Jones

**By Invitation:** Di Rice and Adrian Balmer (Ernst & Young)

**Officers:**

Whole of meeting Peter Clark, County Solicitor & Monitoring Officer; Ian Dyson, Chief Internal Auditor; Sue Whitehead & Andrea Newman (Law & Culture).

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
5	Stephanie Skivington, Corporate Finance Manager
10	Eira Hale, Senior Policy and Performance Officer

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with 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.*

### 18/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

The Committee received apologies from Maria Grindley and Alan Witty of Ernst & Young, and welcomed Adrian Balmer and Di Rice as their representatives at this meeting.

The Committee welcomed Councillor Hards, as a new member in place of Councillor Pressel.

The Chairman thanked Councillor Pressel on behalf of the Committee for her diligence and work in the past.

#### **19/14 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

Councillor Hards declared an interest on Item 6, Internal Audit Strategy 2014/15 and Quarter 1 Plan with regard to the CEF Early Years Payments on the grounds of being a Trustee of a pre School receiving payments.

#### **20/14 MINUTES**

(Agenda No. 3)

Agreed and signed subject to the following correction:

14/14 Correction to the heading only to read:

“ERNST & YOUNG – PROGRESS REPORT & GRANT CLAIMS REPORT.

Referring to Minute 10/14, Ian Dyson, Chief Internal Auditor, confirmed that he had still to complete his enquiries with regards to the operation of the Stewardship Fund. However, he confirmed that once he was in a position to do so, a response would be circulated to the Committee.

Referring to Minute 13/14, and in response to a question from Councillor Bartholomew, Ian Dyson clarified that the self-assessments to be undertaken by members were of a confidential nature. These were to be shared between himself and Peter Clark, County Solicitor and Monitoring Officer, and used as a means to identify possible training needs.

Referring to Minute 14/14, Mr Jones sought clarification that the refund processed and referred to in the final paragraph referred to a an E-bit grant for education.

#### **21/14 BUSINESS STRATEGY - ARRANGEMENTS IN PLACE FOR IMPLEMENTATION**

(Agenda No. 5)

The Committee had before them the report of Lorna Baxter, Chief Finance Officer, which was presented by Stephanie Skivington, Corporate Finance Manager.

The report referred to the strategies in place to allow the authority to save £95million between 2014/15 and 2017/18, as agreed in the February 2014 budget, and sets out the governance and monitoring arrangements to ensure these savings are achieved. Annexed to the report were the key milestones to be met.

The Committee heard that a spreadsheet toolkit had been developed to ensure savings are delivered and a quarterly report will be made to the Chief Executive's

Leadership Team, from which issues of concern will be escalated to the County Council Management Team (CCMT). Bi-monthly meetings will also be held with the Chief Finance Officer, Head of Policy and Deputy Directors to focus on the delivery of savings.

In discussion, the Committee welcomed its opportunity to be involved in this process, noting that although it was not the role of the Committee to monitor progress, it was their role to challenge.

Stephanie Skivington explained that the reporting toolkit is intended as a high-level document, which will be under-pinned by action plans, so as not to over-burden the document with detail.

It was noted that the zero figures in relation to Public Health (Annex 1) were reflective of there being no savings planned for 2017/18, and that the budget would be monitored as part of the process.

The usefulness of Annex 1 was queried as it does not show an end result. However, the Committee were advised that the Annex is an extract from the budget report and summarises new savings identified in February 2014, giving an indication of the medium term plan.

Councillor Mathew asked if reserves were ring-fenced or if the excesses were taken into account when the budget for the year was drawn up. Stephanie Skivington informed Committee that in this situation, the position would be reviewed and monies released back to the revenue.

The Committee were also informed that staff were already in the process of populating the toolkit with the necessary information, although it was unclear as to whether or not the directorates had sufficient staff to carry out the necessary work. This was identified as an issue that Members may need to raise with Cabinet.

Peter Clark, County Solicitor and Monitoring Officer, stated that the framework was a means of monitoring the budget, and if issues were flagged up, this confirmed that the framework was operating correctly.

**RESOLVED:** that having commented on the proposed arrangements for monitoring the delivery of the Business Strategies, to agree that a progress report be submitted to the Committee on a six monthly basis.

## **22/14 INTERNAL AUDIT SERVICES - INTERNAL AUDIT STRATEGY AND QUARTER 1 PLAN**

(Agenda No. 6)

The Committee had before them the report of Lorna Baxter, Chief Finance Officer, in whose absence the report was presented by Ian Dyson, Chief Internal Auditor.

The Committee were informed that the Internal Audit Service currently had 2 vacancies, and in addition the Service were hoping to appoint an apprentice, under the Council's apprenticeship scheme.

It is planned that there will be a greater focus on financial management, following a re-structure within Finance. In light of the planned externalisation programme scheduled for 2015/16, there is a priority need for the financial management arrangements to transfer and operate effectively. New systems were being investigated by the Audit Manager, particularly the operations and interests of internal auditors. The Committee could expect to see independent reports relating to this. Councillor Smith asked if Hampshire County Council would be carrying out a similar risk analysis and using their own processes to carry out tasks. Mr Dyson confirmed that the full business case was being looked at, as the County Council would be adopting the system in use at Hampshire, which will in turn have an impact on document flow between the authorities'. The Committee were also advised that SAP would continue to be used.

Ian Dyson also explained that he had been working with the District Councils towards the development of a Fraud Hub which can be called upon for counter-fraud and investigations work. Discussions with the City Council in this venture have been particularly encouraging. In light of this development, there will be no separate Counter-Fraud plan for 2014/15 as the fraud controls form part of the Financial Management focus.

The Committee heard that the Internal Audit Team was adopting the new Council value of "Commercial", which was defined as "being as careful with the County Council's money as you would your own". The development of new ways of working had resulted in new streams of income for the County Council and there was a need to work more commercially with regards to this.

In discussion, the Committee expressed their dislike and dissatisfaction with the term "Commercial" and a preference for the term "Value for Money". Although Value for Money had been used in the past in connection with purchasing, the Committee were informed that there was a need to be aware of the implications of working more commercially. There was a focus on looking at commissioning and procurement processes, working with suppliers and providers, with a strategic view of the whole process. The Committee felt that the term "commercial" was unsatisfactory and inappropriate in relation to services for the elderly and children. There was a risk that the term could be misused, incorrectly applied or misinterpreted.

Councillor Mathew expressed concern over the number of committees and boards, their purposes, remit and who they were responsible to. By example he referred to the Commercial Services Board. Peter Clark, County Solicitor and Monitoring Officer, remarked that it may be helpful for both Members and Officers to attend a presentation which mapped out and clarified the Council's partnership framework. It was generally agreed this would be helpful.

Dr Geoff Jones queried the commitment of resources that were outstanding from the previous year's plan, and if these had been carried over into the plan for the next year. Ian Dyson confirmed that the plans run from April to March in a given year, but extend to the 30<sup>th</sup> April for the delivery of a work plan, allowing a month's over-lap. During the period 2013/14 two objectives had not been achieved. The Committee queried whether there were sufficient resources to carry out the plan for 2014/15,

given the resources available had been insufficient during the previous year, and were reminded that there had been unplanned investigations which it had been necessary to undertake during 2013/14. This in turn had required a need to reprioritise and amend the existing plan.

**RESOLVED:** to:

(a) approve the Internal Audit Strategy and the Quarter 1 Work Plan;

(b) agree:

- that a briefing be arranged for Members of the Committee open to all Councillors on the partnership arrangements around City Deal, the LEP, SEP and Strategic Housing Market Assessment (SHMA). The Committee to then have the opportunity to discuss further at Committee as necessary;
- that the Annual report also include information on the work not carried out in the year;
- to record that the Committee were not happy with the use of the word "commercial" to describe an updated element of the CHOICE values as it could be misunderstood or misinterpreted particularly by the public in relation to core services such as care for the elderly or children's services.

## **23/14 INTERNAL AUDIT PROGRESS REPORT 2013/14**

(Agenda No. 7)

Ian Dyson, Chief Internal Auditor, introduced the contents of the report before Committee and updated members on the information provided, particularly in terms of on-going activity.

With regards to the National Fraud Initiative (NFI), the Committee were informed by Ian Dyson that there had been further cases identified where payments had been made to residential care homes in respect of deceased clients. During discussion of the issue it was suggested that Members receive a seminar on externalisation and its implications. Peter Clark, County Solicitor and Monitoring Officer undertook to take this request forward.

Councillor Bartholomew noted the report identified opportunities for low-level fraud to occur and queried whether a system of random audits in addition to the regular audit processes may be appropriate. Ian Dyson confirmed that the audits carried out appear to indicate a lax at lower levels, which could provide a potential for fraud. All reports had been passed to Lorna Baxter, as Section 151 Officer. Although disappointed to receive these, it highlighted the need to refresh managers understanding of responsibilities. Some issues had also been identified through whistle-blowing. The Committee were also advised that a management control process was needed. Although a strategy of unannounced visits had been in place in the past, this is not a practice used now. Peter Clark informed the Committee that there is a team available for such visits if needed, but these visits should have a targeted reason rather than being random.

Councillor Hards noted that some of the information contained within the report could lead to the identification of individuals, and asked that this be considered in future.

Councillor Godden queried whether the issues highlighted in Annex 2 of the report were the price to be paid of cutting back-room staff in order to keep front-line services operating. The risk is run that processes will not run smoothly due to the pressure of work, and the lack of staff.

Ian Dyson observed that there would be a tipping point and a need to be pro-active, as in producing the Strategy document, creating the Fraud Hub and identifying weaknesses in the system. Recent investigations and the prosecution in relation to Oxfordshire Museum help demonstrate a zero tolerance on the Council's part. Peter Clark considered that managers needed to take responsibility, whilst being backed up by Internal Audit. The Issue Management arrangements need to be challenging to individual managers, whilst underpinning the safety of the process.

Ian Dyson reported that key financial systems had been out-sourced to Wokingham Borough Council but following some concerns from the Council's Internal Audit Service this had now been pared down and work brought back in house. External auditors were considering this and would produce a briefing note for members.

Di Rice, Ernst & Young, confirmed there had been a delay in the audit work with Wokingham Borough Council and issues remain unresolved due to a very short time frame. There was also a significant risk not in the Audit Plan in relation to the Non-Domestic Rates (NDR) for 2013. The risk stemmed from the billing Authorities accounting on receipts and payments, in conjunction to the provision for billing appeals that are as yet unresolved. A separate report would be forthcoming in due course.

**RESOLVED:** to note the report and to agree that Peter Clark take forward the suggestion of a seminar for all councillors on externalisation.

## **24/14 ANNUAL GOVERNANCE STATEMENT - ACTIONS PLANNED FOR 2013-14** (Agenda No. 8)

The Committee had before them the report of Peter Clark, County Solicitor & Monitoring Officer, which set out progress for 2013/14 and served as an assessment of the effectiveness of the internal control systems in respect of areas previously identified. Peter Clark advised that progress made was demonstrated in Annex 1 attached to the report, and any areas of concern will be carried over to the next financial year.

Dr Geoff Jones asked for clarification with regards to references to Egress and the Committee were advised that this is a system which encrypts sensitive documents before they are shared with other parties. Other agencies that the Council deal with have reported that they feel Egress is not a secure enough system, and have stated preferences for other systems to process and exchange data, notably GSI. The Council have only limited users for this system and not all agencies have signed up to it. Further work is needed to find a secure methodology, and a rigorous strategy is

needed to monitor and resolve this issue. Work on this issue is in progress and a further report will be brought to the Committee in due course.

**RESOLVED:** to agree and confirm the progress made on the actions planned for 2013/14 which will be reported in the next Annual Governance Statement.

## **25/14 CODE OF CORPORATE GOVERNANCE**

(Agenda No. 9)

Peter Clark, County Solicitor & Monitoring Officer stated that it is a CIPFA requirement that the Council produce a local code of Governance. The principles of which are set out from page 98 of Annex 1, as evidence of the authority's compliance.

In discussion, it was noted that there are some items which still need to be edited from the Annex and Councillor Smith queried whether there were still Member Champions.

**RESOLVED:** to:

- (a) to agree the Code of Corporate Governance for Oxfordshire County Council subject to minor amendments suggested during discussion to correct and update the Code; and
- (b) agree that the Code continues to be reviewed every two years.

## **26/14 DRAFT SCRUTINY ANNUAL REPORT**

(Agenda No. 10)

The Committee considered the Scrutiny Annual Report, which was introduced by Eira Hale, Senior Policy and Performance Officer, with the aim of reviewing and feeding into the wider review.

During discussion the Committee commented that this was a much better document than had been received in the past. Councillor Godden questioned whether call-in was still a Scrutiny function and if the governance review was still on-track. It was confirmed by officers that call-in remained a scrutiny function and the review was in hand.

Councillor Mathew suggested incorporating information on Cabinet Advisory Groups as an appendix to this report, in order that there be greater clarity with regards to their work.

**RESOLVED:** the Committee noted the report, with the suggestion that more information be provided in the final report on the scope, membership and outcomes of the Cabinet Advisory Groups.

**27/14 AUDIT WORKING GROUP REPORTS**

(Agenda No. 11)

..... The Minutes of the Audit Working Group for the meeting on the 20 March 2014 were before the Committee for consideration. Peter Clark recalled that the main discussion had centred on Risk Management Systems, and how to this fed into the overall risk management of the Council. The absence of the risk registers within the Chief Executive’s Office was now in hand.

Dr Geoff Jones commented that the system appeared to be working, but that processes needed standardising. He went on to compliment Ian Dyson on providing a most analytical report on a review of risk management.

The Group had received presentations from the risk management leads from the Environment and Economy, and Social and Community Services Directorates. Ian Dyson confirmed that it was important to hear from risk heads in directorates independently. It was proposed by Councillor Mathew that the next meeting of Audit Working Group, scheduled to be held on the 8 May 2014 be cancelled, and the two items of business postponed until the meeting of 11 June 2014. This was seconded by Councillor Dhesi. Councillor Smith apologised as she would be unable to attend the meeting on the 11 June 2014.

**RESOLVED:** to note the report and to agree that the 8 May meeting of the Audit Working Group be cancelled.

**28/14 AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME 2014**

(Agenda No. 12)

The Work Programme was updated by the addition of 9 Corporate Lead briefings in November 2014, January and February 2015. Peter Clark confirmed that this process feeds into the Corporate Governance Annual Statement

The Committee noted that the Adult Social Care in Oxfordshire progress report was expected for the September meeting.

**RESOLVED:** to note the work programme for July 2014 onwards, with the inclusion of the Corporate Lead Briefings and the Adult Social Care in Oxfordshire Progress report.

..... in the Chair

Date of signing 2014