

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 17 September 2014 commencing at 2.00 pm and finishing at 4.30 pm

**Present:**

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

Councillor Sandy Lovatt (Deputy Chairman)  
Councillor Jamila Azad  
Councillor David Bartholomew  
Councillor Kevin Bulmer  
Councillor Tim Hallchurch MBE  
Councillor Jenny Hannaby  
Councillor Nick Hards  
Councillor John Howson  
Dr Geoff Jones

**By Invitation:** Alan Witty, Ernst & Young  
Maria Grindley, Ernst & Young

**Officers:**

Whole of meeting Ian Dyson, Chief Internal Auditor; Deborah Miller and Andrea Newman (Chief Executive's Office)

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
7 onwards	Lorna Baxter, Chief Finance Officer
7 onwards	Peter Clark, County Solicitor and Monitoring Officer;
11	Kate Terroni, Deputy Director - Joint Commissioning
11	Kerry Dearden, Interim ASIP Manager
5	Glenn Watson, Principal Governance Officer
8	Stephanie Skivington, Corporate Finance Manager
8 & 9	Maria Grindley, Ernst & Young
8 & 9	Alan Witty, Ernst & Young
12 & 13	Richard Webb, Trading Standards and Community Safety Manager
13	Sue Whitehead, Chief Executive's Office

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.*

## **42/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Apologies for absence were received from Councillor Roz Smith (Councillor John Howson substituting) and Councillor Simon Hoare (Councillor Kevin Bulmer substituting).

## **43/14 MINUTES**

(Agenda No. 3)

The Minutes of the meeting held on 2 July 2014 were approved and signed.

Minute 32/14 – Minutes

Arising from the Minutes of the previous meeting, Ian Dyson, Chief Internal Auditor, confirmed that he had discussed with Environment & Economy issues that that previously arisen over contract costs. The Committee were advised that the Council's current contractor, SKANSKA, were able to provide the necessary assurances, and works would be carried out with due diligence together with security background checks, which satisfied the Council's quality assurance process. The Contract Management Team had processes in place to check that value was being attained within contracts. The Committee noted that insurance liability and indemnity costs on behalf of the Council were expensive, and could result in significant cost differences.

Minute 35/14 – Annual Report of the Chief Internal Auditor 2013/14

Ian Dyson confirmed that the task order value was not being increased and the issue was being addressed. He confirmed that processes had been put in place and SAP now blocked any invoice which exceeded the purchase order. Monitoring was being undertaken by the Contract Management Team.

## **44/14 ORDER OF BUSINESS**

**RESOLVED:** to vary the order of business as indicated in these Minutes.

## **45/14 AUDIT WORKING GROUP REPORT**

(Agenda No. 7)

The Committee had before them a report which summarised the matters arising at the meeting of the 4 September 2014.

Ian Dyson, Chief Internal Auditor, confirmed that following the resignation of Councillor Stratford, only Councillor Hannaby remained as a substitute member on the Audit Working Group and that the group required two. The Chairman sought volunteers nominations for a replacement named substitute. Councillor Hards offer to accept the role was accepted.

Mr Dyson reported that there had been in relation to client charging, a marked improvement to Amber and that good management controls had been in place since May, which meant that full monitoring was no longer required. The implementation of the new IT System, LEAN and Responsible Localities were up to date, as were major projects in Adult Social Care.

The Local Enterprise Partnership (LEP) report had been issued without action plans, and comments had now been received from the LEP that some issues were not a matter for Oxfordshire County Council. The definition of the Council as an accountable body for the LEP has now being challenged and a full report was to be taken to the Audit Working Group. Lorna Baxter, Chief Finance Officer, and Stephanie Skivington, Corporate Finance Manager, were liaising for the Accountable Officer's Group.

**RESOLVED to:**

- (a) note the report;  
and,
- (b) agree Councillor Hards as a new named substitute for the AWG.

**46/14 INTERNAL AUDIT PLAN - 2014/15 PROGRESS REPORT**

(Agenda No. 10)

Ian Dyson, Chief Internal Auditor, presented the Internal Audit progress report for 2014/15, and informed the Committee that there remained an issue with resources as the recent attempts to recruit more staff had been unsuccessful due to strong market competition. The Committee heard that recruitment in this area was an industry-wide difficulty. A fresh recruitment procedure was currently in process at Buckinghamshire County Council, and it was hoped that this would be successful, which would in turn free up resources at Oxfordshire County Council.

With regards to counter-fraud, the Committee were informed that two bids were being considered for fraud funding. A joint venture was on-going with Oxford City Council for data warehousing/matching in respect of Council Tax fraud, which was being funded locally, using practical fraud testing. The results of the exercise would be available in October.

Mr Dyson confirmed that the following the dismissal of an employee from the County Print Finishers Unit, a one year suspended prison sentence had been handed down to the individual. Although no funds had been awarded to the Council, officers were satisfied that the Court had taken the matter seriously, and an attempt would now be made to recover funds under the Proceeds of Crime Act. The Committee were assured that fraud was not ignored; the Council's response to fraud was robust and court action was pursued, hence the recent prosecution. Mr Dyson impressed upon the Committee that small value fraud did not mean that action would not be taken, and that where fraud had been found to have taken place, that potential avenue would be closed down to future abuse.

Several issues had been identified with the use high street vouchers that had been purchased to the value of over £28,000. The management control of the vouchers

once purchased was not good and £3,200 of vouchers could not be accounted for, although there was no evidence of fraud. Councillor Hannaby expressed the view that this system was lacking, and that she was glad to see the issue was being addressed.

The Committee also heard that with regards to an external whistle-blower making an allegation of “fraud”, an investigation had been carried out but was found to be a recording error. The information relating to the fraud allegation had been found to be full of errors. However, the investigation had not been a waste of time, as there a recommendation had now been made to the Director to review the accuracy of the processes employed by the Department.

During discussion, Mr Dyson confirmed that a series of questions were now being asked of managers, which would be used as evidence to form a view with regards to the management of resources. Managers would also be asked to sign a declaration for which they would be held accountable, which if later found to be inaccurate, could lead to disciplinary action.

The Committee also queried whether the number of schools converting to academy status had reduced the workload for Audit Services. Mr Dyson confirmed that although a reduced number of schools remained under Oxfordshire County Council control, 6 were currently under review. He also stated that the Schools Finance Team were a major source of reassurance to schools.

Councillor Hallchurch raised the issue of a school having reported an external attempt of fraud, by way of an unexpectedly large telephone bill and questioned whether an overseas call-bar could be placed on phones to avoid this issue occurring. Mr Dyson explained that it could be difficult to see which individuals were making these calls, but schools had been advised to be vigilant and aware. Peter Clark, County Solicitor and Monitoring Officer, informed the Committee that this may have been an external rather than an internal fraud. Within County Hall only certain phones were authorised to make calls abroad, however, an incident had occurred in the past whereby phones within County Hall were hacked from outside the organisation, and this could be the situation within the school in question at the moment.

**RESOLVED:** to note the report.

#### **47/14 QUARTERLY UPDATE OF RESPONSIBLE LOCALITIES, LEAN AND NEW ADULT SOCIAL CARE IT SYSTEM**

(Agenda No. 11)

The Committee had previously requested and now considered a quarterly update commencing in September 2014 of the Responsible Localities, LEAN and new Adult Social Care IT system projects.

Kate Terroni, Deputy Director - Joint Commissioning, confirmed that changes were underway for Adult Social Care and LEAN had been working for a number of months now as an external consultancy to free up efficiencies in readiness for the Care Act

2015. The purpose of LEAN was to improve systems, up-front opportunities and identify ways to move forwards. There had been early-day success.

The Committee were informed that the Responsible Localities project set out the structure for Adult Social Care, and complied with the safe-guarding and reviewing functions. The current IT System, SWIFT, was clunky to use and would be replaced by LAS from Liquid Logic, which was due to be live from May 2015. It was envisaged that this would pull through other opportunities and Adult Social Care Information (ASCI) and IT would be pulled together.

In discussion, Kate Terroni confirmed to the Committee that the system would be based on 5 localities; if an individual locality was handling a case, the system would allow a Social Worker's presence to follow a person into hospital and out again. Currently 6 LEAN skilled officers were working with teams in both localities and hospitals, and this was working out well.

Councillor Hannaby explained that the first point of contact and getting to the right person was important, in order that problems being experienced by users did not become acute. Communication was vital so as to ensure that people told their story only once. The Committee heard from Ms Terroni that the Customer Service Centre was important, as was good IT systems, which the Committee considered good news.

Ian Dyson, Chief Internal Auditor, remarked that one of the key aspects for the success of the project was how it was controlled. There were a number of stakeholders involved in the process and Internal Audit, IT and Finance were working together to ensure the project was properly governed, that quality was accurate and remained on schedule for delivery in May 2015.

Kerry Dearden, Interim ASIP Manager, reported that the mapping of the system was an end-to-end process, as was the delivery. It therefore did not matter which Directorate the system sat within. All points were being checked and the challenge would be to go out to hospitals, locality teams and their managers. Officers were currently scoping projects and working on delivering end-to-end.

The Chairman asked whether or not reports would be forthcoming on this project on a six-monthly basis. Ian Dyson confirmed that a progress report would be brought back to Committee after Christmas.

**RESOLVED:** to note the paper.

## **48/14 LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF OXFORDSHIRE COUNTY COUNCIL**

(Agenda No. 5)

The Committee had before them the Local Government Ombudsman's Annual Review Report for this Council for the year 2013/14.

Glenn Watson, Principal Governance Officer, reported that in previous years, the Ombudsman issued more detailed reports with a commentary on the authority's

performance. Following changes to the Ombudsman's procedures, this was no longer the case. Their Report was high level and did not allow direct comparison with previous years, nor did it give county averages so as to enable benchmarking. That said, overall numbers of complaints considered by the Ombudsman and the outcomes of them could be collated locally. The report highlighted the overall picture which was, broadly, positive.

Mr Watson further informed the Committee that where there had been an increase in the number of complaints received. This could be reflective of a more open organisation which was encouraging of complaints. Having said that, Oxfordshire County Council was fifth-lowest in terms of referrals to the Ombudsman and was believed to be an "open" authority, which was easy to access. This was coupled with the fact that Oxfordshire had the lowest percentage number of complaints upheld by the Ombudsman.

The Council received a significant number of contentious appeals for School Admissions, year on year, for which the Council had a good track record. The Local Government Ombudsman (LGO) had asked to use the Council's template letters for this area of work as a badge of "best practice", which had been agreed. It was in the best interest of parents that there was a fair, open and transparent service within this area.

Councillor Hannaby noted that the number of complaints with regards to Highways seemed low and queried if this was due to the fact that these complaints were handed to the Council's insurers. Peter Clark, the County Solicitor and Monitoring Officer, confirmed that this was due to the fact that the LGO do not have to deal with a complaint if another remedy (i.e. through the courts) was available to a complainant.

In discussion, the Committee heard that there were no county averages provided in the report as the LGO had restructured, slimmed down, and now reported a shortage of resources.

Peter Clark also advised that the LGO practice of finding maladministration in the past had now changed. Now the LGO would produce a public report, require a full report to council or fine a local authority if the LGO were dissatisfied with the response, or if there was a failure to respond to the LGO report. The Committee were also informed that sometimes a complaint could not be rectified, but the complaint might prompt changes in the future, which could be the real nub of the issue in the first place.

Councillor Bartholomew asked about the financial cost of the upheld complaints and the Committee were advised that there had only been one financial award this time, which was unusual as a form of apology, but was reflective of the impact on the individual's livelihood.

**RESOLVED:** to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2013/14.

## **49/14 GOVERNANCE AND CONSTITUTION REVIEW**

(Agenda No. 6)

The Committee were asked to consider a report outlining the new governance arrangements adopted by the Council in April 2013, which came into effect following the May 2013 elections. The Council asked its Monitoring Officer to review the effectiveness of these decision-making arrangements a year after their coming into operation, along with the underlying Constitution. His recommendations would be considered by Full Council on 9 December. The report therefore summarised the emerging issues from the Monitoring Officer's review.

Peter Clark, County Solicitor and Monitoring Officer, recorded his thanks to the Committee Members who had acted as a sounding board throughout the review process. The Committee were informed that there was a need to balance internal control, with ensuring that meetings focused on business, whilst being mindful of the fact that there were now significantly less staff and Members of Council. The review had found that there was a feeling amongst members that they were distanced and not kept informed, although there was also a general sense of scrutiny being improved. The introduction of locality meetings involving smaller groups of members dealing with parish issues was felt to have been successful, and produced a significant public response from people who felt that they were now seeing officers who dealt with issues, rather than senior officers.

Cabinet Advisory Groups had also been beneficial in the formulation of policy, rather than scrutinising decisions once they had been made.

The Scrutiny report to the last meeting of Council had more support than previously, when there had been concerns of resources being too stretched, as there had been an increased move at meetings to target areas, resulting in the majority of members feeling better informed.

Mr Clark observed that Members had expressed a wish be more informed with regards to Cabinet meetings, and it was likely that the Leader may move towards opening these up more. The Committee also heard that there was a recognised need to improve full Council, although there was as yet no agreement as to what this would look like. Member's views would be sought with regards to this.

Referring to page 30 of the report, Councillor Hards noted the light touch reference to the LEP/City Deal, and the importance for governance that members are aware of how these issues progressed. With regards to the Forward Plan, and the need for clarity, he considered that more information within the plan was preferable. He also suggested that the number of paper copies of documents circulated to members could be reduced, by asking members what they receive, what they wish to receive and in which format they wished to receive information.

In discussion, with reference to the responses in respect of Council at page 20, the Committee heard that 26% of responses agreeing Council was an effective means of debating and delivering business, indicated a widespread dissatisfaction. There was a view that this needed to be addressed urgently. The report was also felt to show at page 21, an undue prominence of some comments, as those made by 2 members

out of 63 were not reflective of the majority of the Council. It was also remarked upon that there may be a need for more stringent regulations, as at present minority groups of 2 people could manipulate Full Council.

Mr Clark clarified that 2 people or more can form a group, although the Constitution currently restricted them on the basis that they did not get preferential treatment of motions, meaning there were 3 qualifying groups for rotation.

Councillor Hallchurch informed the Committee that he felt there was a need for the Chairman of Council to be better trained and that this should be dealt with during the period that members were Vice-Chairman. He also considered that it would be useful for the Chairman of Council to sit for a term of 2 years, rather than 1 year.

Councillor Hannaby considered that Full Council and Cabinet did need looking at and also regretted the loss of Adult Services Scrutiny Committee; this had been a good committee which should not in her view have been cut. She also supported the locality meetings.

Councillor Lovatt expressed support for the committee-based form of governance, as this involved proper debate of issues, followed by recommendations to Council. He felt that currently the Cabinet take a position on a matter, and other members then vote against it.

Mr Clark confirmed that a committee-based system was a legal possibility. However, this process was very heavily dependent on staff members for it to run effectively and would require a three-fold increase in the current number of staff; it was therefore not without a cost implication and could not be undertaken lightly. Mr Clark suggested that a further report be drafted and circulated to the Committee for this matter to be discussed further, as this was the proper committee to report back to Council on the issue.

Councillor Hannaby proposed that there be an extraordinary meeting of the Committee to further discuss a report on this issue, and report back to Full Council. This was unanimously agreed.

**RESOLVED:** (unanimously) that an extraordinary meeting be arranged prior to consideration by Full Council for further debate on this issue.

## **50/14 FINAL STATEMENT OF ACCOUNTS 2013/14**

(Agenda No. 8)

Stephanie Skivington, Corporate Finance Manager, introduced the Final statement of Accounts 2013/14 and Management Representation Letter 2013/14 to the Auditors to the Committee, which set out changes and minor amendment to the accounts since the draft version was considered by the Committee on at the meeting of 2 July 2014.

Councillor Hards queried the wording of section H on page 56 of the report, in particular the reference to trustees. Maria Grindley, of Ernst & Young, confirmed she would check the wording and confirm if necessary.



Also queried was paragraph 3, of section B on page 48 of the report, which Lorna Baxter, Chief Finance Officer confirmed was a statement of knowledge of fraud during the year, and that this effectively meant that there was an awareness of instances of fraud and that these were being addressed.

Ian Dyson, Chief Internal Auditor, reported that with regards to fraud, details are sent to the Council's external auditors, who also attended meetings of the Committee. If there were any concerns on their part of fraud not being reported, questions would then be asked by them, as a check of balances.

**RESOLVED:** to:

- (a) Consider and approve the Statement of Accounts for 2013/14 presented to the Committee on 2 July 2014 with the minor amendments listed above;
- (b) Consider and approve the Letter of Representation 2013/14 for the Oxfordshire County Council accounts;
- (c) Consider and approve the Letter of Representation 2013/14 for the Oxfordshire Pension Fund accounts.

## **51/14 ERNST & YOUNG EXTERNAL AUDITORS**

(Agenda No. 9)

Maria Grindley, Ernst & Young, introduced the Audit Results Report for the year ending 31 March 2014. Although not yet complete, the Committee were advised that detailed testing had been undertaken and so far she was satisfied that there were no significant issues to raise. There had been no cause for concern with regards to Significant Audit Risks (page 63 of the report) or other Audit Risks (at page 64).

Alan Witty, Ernst & Young, confirmed that work was still outstanding with regards to Issues and Misstatements arising from the Audit (at page 65) and Committee were also advised that there would be an additional small fee payable as a result of liaising closely with the Council in order to understand the issues following an enquiry raised by a member of the public. This would be completed in the near future and invoiced separately. There were no significant risks on the Management Override, and letters were due to be issued shortly. There was no change to the fee expected, and no further appendices.

Lorna Baxter, Chief Finance Officer, thanked Stephanie Skivington and her team for the smooth process that had seen this work carried out, to which Maria Grindley added her own thanks for the notable manner in which both teams had worked together, producing strong reports and quick, clear responses to questions raised.

Alan Whitty reported that there would be a new partner taking responsibility for the Pension Plan Fund Audit, and with regards to the Processes outlined on page 94 of the report, further work was being carried out.

**RESOLVED:** to note

- Annual Results Report – Oxfordshire County Council (**AG9a**)
- Annual Results Report – Oxfordshire Pension Fund (**AG9b**)

- Oxfordshire County Council Pension Updated Audit Plan (**AG9c**)
- Verbal Progress Report to Committee.

## **52/14 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

(Agenda No. 12)

The Committee had before them a report covering the Regulation of Investigatory Powers Act 2000 ('the Act'), which regulated the use of covert activities by Local Authorities. It created the statutory framework by which covert surveillance activities might be lawfully undertaken. Special authorisation arrangements needed to be put in place whenever a Local Authority considered commencing covert surveillance or considered obtaining information by the use of informants or officers acting in an undercover capacity.

Codes of Practice issued under the Act provided guidance to authorities on the use of the Act. The Code of Practice relating to covert surveillance specified that elected members should review the Authority's use of the Act and set the policy at least once a year. They should also consider internal reports on the use of the Act periodically.

The paper provided an overview of the use of activities falling within the scope of the Regulation of Investigatory Powers Act 2000 by Oxfordshire County Council in the period from April 2013 to March 2014. The report also provided an overview of the Authority's Policy and the full policy was provided as an Annex for Committee members to review.

Peter Clark, County Solicitor and Monitoring Officer, confirmed that an annual report on this issue had been held back as there had been no formal inspection from the Surveillance Commissioner. Referring to paragraph 5 of the report, the Committee were informed that under the new Code of Practice, no test purchasing could be carried out in relation to the sale of items to under 18's, as there had been no evidence of a breach by any retailers. The Council were also mindful of public sensitivities to covert surveillance and as a result, the Council tended to exercise this power only for the most serious of cases involving the elderly and vulnerable, the sale of fireworks and fraud.

Since becoming a requirement in October 2012, all applications by the Council to seek a Magistrate's approval to commence covert surveillance have been successful.

**RESOLVED:** to note the periodic and annual use of RIPA by Oxfordshire County Council and the associated Policy.

## **53/14 OFFICE OF SURVEILLANCE COMMISSIONERS - INSPECTION REPORT**

(Agenda No. 13)

The Committee considered the report which outlined the Regulation of Investigatory Powers Act 2000 ('the Act'), which regulated the use of covert activities by Local Authorities, and created the statutory framework by which covert surveillance activities may be lawfully undertaken. Special authorisation arrangements need to be put in place whenever a Local Authority considers commencing covert surveillance or

considers obtaining information by the use of informants or officers acting in an undercover capacity.

..... As part of the inspection regime, the Office of Surveillance Commissioners carried out inspections from time to time to examine an Authority's policies, procedures, operations and administration. On 29 May 2014, a Surveillance Inspector visited the County Council to inspect the processes of the Council and the Oxfordshire Fire & Rescue Service.

The outcomes were positive, with the Inspector expressing no issues of concern and making only one procedural recommendation, which had been accepted.

Peter Clark, County Solicitor and Monitoring Officer, reassured the Committee that Oxfordshire County Council and Oxfordshire Fire & Rescue Service employed robust, clear systems to produce a briefing note when applying to the Magistrates Court, which formed part of a central-based record and referred to the guidance.

In discussion, the Committee commented that it was a tribute to Oxfordshire Trading Standards that they had been nationally recognised.

Mr Clark explained that with regards to fly-tipping, authorisation was also required under RIPA, the test being whether fly-tipping a serious crime or not. Of issue was the fact that fly-tipping could cause a fire, which if occurring on a number of occasions could lead to significant costs, and therefore support a need for surveillance. The Committee also heard that with regards to working with Magistrates and Judges, there was no joint training, and that work was carefully managed so as not to be related to individual cases.

Richard Webb, Trading Standards and Community Safety Manager, stated that his team carried out work to periodically raise awareness in respect of the code and the guidance.

The Committee raised concern that the issues raised in paragraphs 5 and 6 of the report appeared to be going on unchecked without surveillance, and the lack of tools to monitor the sale of goods. This was a matter which should be debated by Full Council.

**RESOLVED:** to note the report.

..... in the Chair

Date of signing 2014