

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 24 February 2016 commencing at 2.00 pm and finishing at 4.55 pm

Present:

Voting Members: Councillor Sandy Lovatt – in the Chair

Councillor David Bartholomew
Councillor Yvonne Constance OBE
Councillor Tim Hallchurch MBE
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Councillor John Tanner
Councillor Patrick Greene (In place of Councillor David Wilmshurst)

Non-Voting Members: Dr Geoff Jones

By Invitation: Paul King and Alan Witty (Ernst & Young)

Officers:

Whole of meeting Ian Dyson, Chief Internal Auditor; Lorna Baxter, Chief Finance Officer and Deborah Miller, Principal Committee Officer.

Part of meeting

Agenda Item

Officer Attending

5	Stephanie Skivington (Finance)
6	Kathy Wilcox (Finance)
8	Kate Terroni (Deputy Director for Joint Commissioning)
12	Glenn Watson (Law & Culture)

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.

9/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

The following apologies for absence and substitutions were received:

Apology	Substitution
Councillor David Wilmshurst	Councillor Patrick Greene
Mr Nick Graham	

10/16 MINUTES

(Agenda No. 3)

The minutes of the meeting were approved and signed subject to deleting the words "...members felt that this" from the penultimate paragraph of Minute 6/16.

11/16 IMPLICATIONS OF THE ACCOUNT AND AUDIT REGULATIONS 2015

(Agenda No. 5)

The Committee had before them a report (AG5) which set out the requirements of the 2015 Accounts and Audit Regulations in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts. The 2015 Regulations had come into force on 1 April 2015 for financial years starting on or after that date. The report highlighted changes compared to the previous 2011 Regulations and the implications for the Council.

Stephanie Skivington in introducing the report explained that the 2015 Regulations made clearer the requirement to maintain a sound system of internal control, broader than just in relation to financial control, with increased emphasis on risk management and corporate governance. It also clarified that the scope of internal audit covers these areas, in line with proper practice.

As previously highlighted to the Committee, the 2015 Regulations explicitly named proper practice for internal audit as the Public Sector Internal Auditing Standards and removed the requirement for an annual review of the effectiveness of the authority's internal audit function.

The 2015 Regulations further imposed a new requirement to prepare a narrative statement to be published alongside the statement of accounts and annual governance statement each year, to include comment on the authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

The deadlines for preparing the statement of accounts and its publication were brought forward by the 2015 Regulations. The revised deadlines would take effect for the 2017/18 accounts, with transitory provisions allowing for the completion of the 2015/16 and 2016/17 accounts within existing deadlines.

In previous years the draft statement of accounts was presented to the Committee for information ahead of the public inspection period; however this was not a requirement of the 2011 Accounts and Audit Regulations. Given the new requirements set out above, it would not be possible to present the draft accounts to a meeting of the Committee before the public inspection period commences. In view of this the Committee was asked to agree to no longer receiving the draft accounts. The Committee would still receive the statement of accounts to approve in September (or earlier in accordance with the revised timetable) following the audit and Committee members would be able to access the draft statement of accounts on the website once they had been published and raise any queries with officers.

Similarly, the timing of the Committee receiving the annual governance statement (AGS) would need to change as a result of the requirement to publish it alongside the draft statement of accounts prior to the start of the public inspection period. For 2015/16 a draft of the AGS would be considered by the Audit Working Group on 26 May 2016 and any changes would be incorporated into the published version. The Audit & Governance Committee would not receive the draft version before it was published, however would consider and approve the final version in September. In view of this the Committee was asked to agree to no longer receiving the AGS in July. The Committee would receive some of the key independent reports that inform the AGS at its meeting in April, such as the Annual Report of the Monitoring Officer and the Fire & Rescue Service Statement of Assurance. A final draft of the Annual Report of the Chief Internal Auditor will be available for the Audit Working Group meeting in May and would be reported to the Committee in July.

Councillor Bartholomew expressed concern that members of the public would assume that the accounts had been seen by the Audit Committee. Ms Skivington replied that there would be a statement on the website stating that the accounts were draft and subject to Audit.

Mr Dyson added that the Annual Government Statement would go through the audit Working Group and that could also be made clear when published.

RESOLVED: to

- (a) note the report;
 - (b) agree that the draft statement of accounts will no longer be presented to the Committee for information;
 - (c) note that the draft Annual Governance Statement will be considered by the Audit Working Group before publication;
- agree that the Annual Governance Statement should only be presented once to the Committee, in its final draft for approval in September.

**12/16 ANNUAL GOVERNANCE STATEMENT 2014/15 - ACTION PLAN
PROGRESS (QUARTER 3)**

(Agenda No. 6)

Audit & Governance Committee had approved the Annual Governance Statement (AGS) for 2014/15 in July 2015. This included six actions to be followed up by the relevant corporate lead and/or directorates in 2015/16. The Committee had before

them a report (AG6) which considered whether the 6 Actions had been completed or whether more work would be needed on them in 2015/16.

Kathy Wilcox, in introducing the report highlighted the Action against each of the six actions as set out in Annex 1 to the report. She confirmed that as at the end of December, progress had been made on all of the actions. Some of the actions were now complete or would continue to be monitored as part of business as usual. Where actions were on-going consideration would need to be given to including those as actions in the 2015/16 Annual Governance Statement along with other changes which would impact on governance in 2016/17.

Action 1, Data Quality was on-going from the two stage plan set out to Audit & Governance Committee in November. A formal project was being created for data quality improvement and the main work would commence from April 2016. Further information was being sought from suppliers of priority 1 systems about mechanisms for ensuring data quality.

Action 2, the Commercial Services Board terms of reference and governance arrangements had been reviewed and revised terms of reference and responsibilities were being rolled out. A business case training programme had commenced this week and the implementation of a contract management system was also being progressed.

Action 3, Business Continuity – this needed to continue to be monitored in light of changes to services but there was increased awareness of the importance of business continuity across the organisation. Directorate level business continuity exercises were continuing.

She further reported that an update on Action 4, the externalisation of Human Resources and Finance Services was covered in item 9 later on the agenda. The update on Action 5 set out that the corporate risk register had been reviewed by CCMT and updated accordingly. AWG considered the risk register on 4 February 2016. Action 6 related to Supported Transport for Children. Progress continued and the project will continue in 2016/17. A final update on the six actions would be provided to Audit & Governance Committee on 20 April 2016 and reflected in the 2015/16 Annual Governance Statement.

In relation to Action 2 (Commercial Services Board) Dr Jones expressed concern that although the Board had now been in place for years, he remained unconvinced that the Board was progressing as quickly as it should.

Lorna Baxter explained that the board had not been properly embedded due to lack of engagement and support. The Board's terms of reference and governance arrangements had now been reviewed and revised terms and responsibilities were being rolled out, including a new Gateway Review Panel.

A new Contract Management System had now been approved by CCMT. Contract Management training was also due to take place, with over 100 people having been identified for training.

Mr Dyson added that the Audit Working Group was due to receive a presentation on the Commercial Services Board and that he believed the Committee would benefit from the same.

In response to questions surrounding who would be trained, Mr Dyson confirmed that representatives from all directorates would be trained, together with senior officers.

The Committee then had a discussion around Action 3 (Business Continuity) and the recent ICT outages and the resulting effect on business continuity. Members expressed concerns that there had been two major outages in recent months and questioned why this had happened twice, whether business continuity plans had kicked in and raised concerns over security and 'the cloud'.

Mr Witty, Ernst & Young offered to investigate the possibility of E&Y providing some training for Members on cloud computing and the inherent security risks.

Mr Dyson confirmed that the Business Continuity Plans had kicked in effectively and that the Business Recovery target had been hit.

RESOLVED: to note the progress on the actions, subject to the Committee receiving a presentation on operation of the Commercial Services Board in April.

13/16 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2015

(Agenda No. 7)

The Committee had before them the Chairman's Annual Report of the Audit & Governance Committee (AG7) which was to be presented to Council in May.

The Committee thanked Mr Dyson for his work on the Committee and the Working Group over the past year and made a number of small suggestions on the content to be made prior to its consideration by Council.

Councillor Bartholomew requested that the work of 'Councillor Profile Working Group' be added to the report.

RESOLVED: to forward the report to Full Council for consideration, subject to the Chief Internal Auditor making a number of minor editorial changes.

14/16 SCS LEAN AND IT SYSTEM UPDATE

(Agenda No. 8)

Kate Terroni, Deputy Director Joint Commissioning, gave a presentation to update the Committee on two interlinking projects:

- the Adult Social Care IT Project which would deliver replacement computer systems for Adult Social Care (Swift) and Client Finance (Abacus); and;
- the Adult Services Improvement Programme which was delivering significantly more effective and efficient business processes using LEAN methodologies.

The Committee heard that, following the update given to the Committee in June last year the project had gone live in November 2015. The new system was now in and working and had revolutionised the way people in social care worked. The system was very good, but more work needed to be done to get it embedded. The system now contained only 1 set of records.

She further reported that the system 'liquid logic' required social workers to provide mandatory fields and some members of staff were finding it difficult to stick to the rigidity of the system and despite training was not be used as consistently as it could be. More training was being scheduled in with staffing to deal with this issue. There were currently 'champions', but more resource was needed to do some targeted work on this issue through a learning platform, e-learning and training.

In response to concerns raised by members over whether information was being lost, Mrs Terroni confirmed that information was not being lost but was not happening as timely as it should have been. She also confirmed that the system was secure and confidential and required the Social Worker to enter a unique password.

Mr Dyson commented that although an audit had not been completed, he had heard the system was working well and that the performance issue was around people as outlined by Mrs Terroni and not the system.

Councillor Roz Smith raised the issue of ensuring that care homes were not paid in the case of death.

In relation to questions around the possibility of phase 2 of the project, Mrs Terroni agreed to report back to the next meeting on what the next phase could look like and the investment needed to achieve it.

In response to questions over financial assessment delay, Mrs Terroni confirmed that she was not aware of any delay at present but would report back over the course of the next few months.

The Committee thanked the Deputy Director for Joint Commissioning for her informative presentation and:

RESOLVED: to receive a further presentation in April outlining the number of managers using the management tools on the system and details of the extra investment needed to take the project forward.

15/16 UPDATE ON HAMPSHIRE PARTNERSHIP

(Agenda No. 9)

The Committee had before them a report (AG9) which provided an overview of the first six months operation of the shared service arrangement between Hampshire and Oxfordshire County Council, from July to the end of December 2015.

Lorna Baxter, Chief Finance Officer in introducing the report, stated that, as anticipated, the first 6 months of operation had been a significant challenge in terms of the scale of business change required, embedding new ways of working and resolving a range of first time events associated with the transfer of data and business practice in July 2015. There had been a collective effort through on-going business readiness, user engagement and training during this period. She further reported that a number of stabilisation issues had impacted the confidence in the model as detailed in Section 3 of the report, but these were continuing to be collectively resolved by colleagues across both organisations and were reducing in volume and scale as the model embeds.

The performance metrics summarised in Section 4 of the report show a stabilisation across the majority of areas including confidence over the continued accuracy of payroll and the timely processing of invoice payments and income receipting. Concerns were raised in the stability and effectiveness of the customer contact model, and against some specific areas (e.g. recruitment cycle time), where recommendations have been included for further investigation and action.

Anna D'Alessandro reported that there were two key ongoing issues related to delivery of services by the Hampshire partnership, which officers were working very closely with HCC to resolve. These, and their associated actions, were all detailed in the joint report, at Appendix 1. The two which were significant were:

OCC had yet to receive a full set of the monthly pension data for either the Local Government or Fire-Fighters Pension Schemes. The Pension Services team was finding workarounds to avoid undue delay in the payment of new pensions and death grants, but the lack of data had led to delays in the calculation of employer contribution rates for new academies. The late submission of data might also potentially result in difficulties in providing the Actuary with the information required for the 2015/16 Accounts and the 2016 Valuations. However, this was being actively managed and work was continuing with IBC colleagues to ensure all the outstanding data was provided, and officers continue to assess and mitigate the risk. There was a jointly agreed plan in place to deliver this information in the required timeframe, which HCC was progressing.

In relation to HCC not meeting target response timescales for queries and measuring the effectiveness of those responses, she reported that the non-achievement of targeted response times had ramifications both on the business and its customers. As an example, a number of adjustments needed to be made retrospectively to payroll when response timeframes aren't met by HCC, exacerbated by OCC manager late notification. HCC would be rolling out a plan of continuous improvement of its Customer Support model, including the Contact Centre and online enquiry forms to meet targeted requirements, over the coming months. The plan would look at quantitative (response times) and qualitative (effectiveness/customer experience) aspects. OCC will supplement this with user/manager education and improved online guidance.

She further reported that Detailed/transactional level information which underpinned the Aged Debt Report, especially with respect to legacy debt (pre-IBC or migrated debt) was currently outstanding. She reported that old debt (over 150 days) was £6.8 million and needed to be more rigorously managed.

There were also some operational issues that had been identified during the stabilisation period, that were not directly IBC related but were as a consequence of the transfer and should have been addressed during the business readiness project stream. These were now being addressed internally within the Directorates on a case by case basis, overseen by Corporate Finance to ensure internal control requirements are being met.

There are some other issues on the income collection side, which were undermining confidence in service reliability, including:

- A batch of invoices being sent to OCC customers with HCC payment details;
- Invoices emailed to customers which were hitting spam filters and hence risking non-payment;
- Emails being sent to customers with unsuitable subject headers (e.g dunning letters, or invoice numbers);
- IBC Portal reports not being an accurate reflection of an actual customer account balance as data is being drawn from other customer records.

The IBC were aware of these issues, as they had been escalated to the Head of the Shared Services Centre. There was a plan in place for resolution and this was currently treated as a priority.

We have in place a number of arrangements from an OCC perspective to more effectively capture and resolve issues:

- Since October 2015 officers had been meeting monthly with IBC representatives to discuss purchasing and income related issues. This would continue at least until the end of the financial year;
- In November 2015 officers implemented a more coordinated approach to the capture, escalation and resolution of issues through an IBC Coordination Group consisting of a nominated Coordinator for each Directorate. This group excluded schools as issues had been addressed through the Schools Transition Team. The Coordination group met weekly and on a regular basis they were attended by the Head of the IBC and his subject matter expert;
- In December 2015 officers identified particular IBC issues relating to the payment of large suppliers in E&E. Subsequently relevant staff were invited and IBC representatives to discuss issues and associated processes in detail. There was also a follow-up session in January. This targeted approach had proven to be very successful and officers were currently working with other Directorates to deliver the same;
- For the last few months, senior representatives in OCC had regular (at least monthly) face-to-face dialogue with senior members of the IBC to escalate significant and unresolved issues relating to Finance and HR. There was now a well-defined escalation route into the IBC;
- “Bitesize Training” rolled out in October for both Finance and HR continue to be popular and well attended and had contributed to the more effective management and resolution of problems;
- The Business Date Upload (BDU) was designed as an interface into the IBC SAP system for one-off vendor transactions, and for which no other standard solution

was currently available. A project was established in October to review these transactions, as the controls around this system are weak. The Project team have identified a number of areas which could use an existing solution for payment and those which require an alternative to the current interface system. Officers would be having discussions with HCC over the coming weeks.

Members expressed concern over the level of Age Debt, the amount of duplicate payments occurring and the number of staff still using the manual system.

In response, Ms D'Alessandro reported that at the end of October, the amount of duplicate payments was nearly 1 million and was now at just under 300,000. She further reported that a project was in place to get people off the manual interface and on a standard process with Hampshire and that there was 100% supported support at senior manager level to support this.

Members further raised concerns about not being able to how much had been paid against invoices.

RESOLVED: to agree that a further update be provided to the Committee at its July meeting, with an update in April on Aged Debt and duplicate payments.

16/16 ERNST & YOUNG AUDIT PLANS AND SECTOR BRIEFING

(Agenda No. 10)

The Committee considered the following two reports from Ernst & Young:

- Audit Planning Board Report;
- Local Government Sector Briefing.

Members raised concerns raises regarding the ICT failures and the Audit Committee's responsibilities in relation to that and the need for the Committee to have an understanding of modern ICT practice. In response Mr King agreed to look into whether some training around that area could be identified.

Mr Dyson commented that in light of the fact that there had been 2 major outages in recent months that it would be reasonable for the Head of ICT to report to the Committee on what had happened, what future risks might be and what solutions were being put in place.

Mr Witty clarified that the 'Key questions for the audit committee' in the same report, on Page 23 of the agenda, were intended as helpful pointers of the kind of issues that the Committee may wish to consider in the future.

RESOLVED: to note the reports.

17/16 REPORT FROM THE AUDIT WORKING GROUP

(Agenda No. 11)

The Committee had before them the report of the Audit Working Group.

Ian Dyson, Chief Internal Auditor reported that there had been one meeting of the Audit Working Group since the last Committee meeting. The Group had looked at the Corporate Risk Register, the Internal Audit Update and the Highways Contract Payments Audit.

In relation to the Corporate Risk Register, Mr Dyson reported the group had been informed on the process for monitoring the risks and the target risk scores for reducing risks to the tolerated level. In reviewing the risks and the risk scores, the Group challenged whether the risk relating to Adult Social Care needs, reportedly at a level to be tolerated, was correct, and had asked for further information that supports the CCMT assessment. The Group also noted that the register presented was produced in December 2015, and therefore queried whether the risk of "helping people to help themselves" currently at the target risk score, would be impacted by the Councils budget to be agreed in February. The Group agreed to receive an update as part of the next quarterly risk management report. Mr Dyson reported that the Register had now been completed.

In relation to the Internal Audit Update, Mr Dyson reported that the Group had found that there were no material concerns arising from the item.

In relation to the Highways Contract Payments Audit, Mr Dyson reported that the overall opinion from Internal Audit was "Amber"; however in relation to accuracy and timeliness of payments it was "Red". The Deputy Director attended the AWG and was able to provide an update on the management action that was being taken to address the issue. Whilst the Group was in part reassured by the management actions being led by the Deputy Director; it was concerned at the findings in the audit that reconciliations between payments made to Skanska against the amount invoiced were no longer undertaken and that at Task Order closedown, the amount already paid as quoted by Skanska could no longer be accurately checked. This was also due to the Contracts team no longer having access to back-end SAP. The Group noted that was an issue arising from the transfer of finance services to the Hampshire IBC, and although not related to the IBC system was an unresolved issue arising Business Readiness project. It was acknowledged that management were revising their control procedures to ensure checks over highways payments could be completed going forwards; however, the Group was very concerned at this consequence of the business readiness and has requested more information regarding where else this could have impacted in the organisation. The Chief Internal Auditor confirmed there were several audits on going which were covering the key financial systems that should pick up these issues, and would be reported back to the AWG and Committee during April and May.

RESOLVED: to note the report.

18/16 REQUEST FROM PERFORMANCE SCRUTINY COMMITTEE

(Agenda No. 12)

At their meeting on 4 February the Performance Scrutiny Committee had considered the decision of the Cabinet Member for Environment (Councillor Hudspeth substituting) made on 14 January 2016 following proper notice of a call in: Proposed Bus Lane & Parking/Waiting Restrictions - Orchard Centre (Phase 2), Didcot.

The Committee agreed to refer the decision back to Cabinet on the grounds of material concerns in that the officers dealing with the matter had not been made aware of the fact that a 1500+ signature petition had been presented to Council opposing the proposal.

During discussion Members heard that the petition had been taken into account inconsideration of the County Council's response to the planning application determined by South Oxfordshire District Council. In response to questions, officers confirmed that it had not been specifically referred to in that response. Members in noting that the petition had been submitted to full Council raised concerns that local members had not been advised of the petition and kept informed of the response. The Committee considered that something extra was needed with regard to the protocol on Member engagement and requested that Audit & Governance Committee be requested to consider this matter.

An additional request was made by the Performance Scrutiny Committee at its meeting on 18 February during consideration of the decision by officers in relation to the Headington pipeline.

Members of the Committee expressed concern that local councillors has not been kept informed of the grant of Section 50 licences that resulted in significant road works in their area. In noting that there was protocol on member engagement the Committee requested that this Committee look at the effectiveness of the protocol generally.

The Committee also discussed what constituted a key decision and whether it was right that decisions relating to a major project could be broken down into separate notices and thus not be considered as a key decision. The Committee asked that Audit & Governance Committee request officers to review the definition and interpretation of key decisions.

RESOLVED:

- (a) to agree that the Monitoring Officer review the protocol on Member Engagement with a specific regard to petitions and to report back to this Committee;
- (b) to include a review of key decisions in the next Constitutional Review.

19/16 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

(Agenda No. 13)

The Committee had before them a copy of the Annual Work Programme for the Committee (AG13).

RESOLVED: to agree the Work Programme, subject to the following additions:

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April

Delete - Ernst & Young External Auditors Grant Claim Report

Add – SCS LEAN and IT system update

Add – Aged Debt and duplicate payments

July

Delete - Annual Governance Statement 2014/15

Delete – Statement of Accounts

Add - Hampshire Update

September

Add – Annual Governance Statement 2014/15

Add – Statement of Accounts

..... in the Chair

Date of signing 200