

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 14 September 2016 commencing at 2.00 pm and finishing at 4.40 pm

Present:

Voting Members:

Councillor Sandy Lovatt – in the Chair

Councillor David Wilmshurst (Deputy Chairman)

Councillor David Bartholomew

Councillor Yvonne Constance OBE

Councillor Tim Hallchurch MBE

Councillor Nick Hards

Councillor Roz Smith

Councillor John Tanner

Dr Geoff Jones

Councillor Richard Webber (In place of Councillor Alison Rooke)

Non-voting Members:

Dr Geoff Jones

By Invitation:

Paul King and Alan Witty (Ernst & Young)

Officers:

Whole of meeting

Nick Graham, Chief Legal Officer

Lorna Baxter, Chief Finance Officer

Ian Dyson, Assistant Chief Finance Officer (Assurance)

Sarah Cox, Interim Chief Internal Officer

Colm Ó Caomhánaigh, Committee Officer

Part of meeting

Agenda Item

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Officer Attending

Mark Stone, Interim Director for Transformation

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Stephanie Skivington, Strategic Finance Manager
(Accounting & Reporting)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.

47/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Alison Rooke (Councillor Richard Webber substituting).

48/16 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

In relation to Agenda Item 7, Councillor Roz Smith declared that she receives a pension from Oxfordshire Local Pension Fund.

49/16 MINUTES

(Agenda No. 3)

Councillor Hallchurch asked if the expenses compliance process referred to under 41/16 had been adopted. Mr Dyson reported that a scheme will be piloted shortly to see if it is necessary or adds any value to the process.

Councillor Bartholomew asked if there was a report on the phishing attack as promised under item 46/16. Mr Graham gave a verbal report. He had checked the incident with ICT and confirmed that this was a planned attack to test the system. Very few people knew about the attack in advance which is why staff may initially have denied that it was a planned attack. There was a high volume of reaction from staff and the exercise was judged to be successful.

The minutes of the meeting of 13 July 2016 were approved and signed.

50/16 PRESENTATION BY THE DIRECTOR FOR TRANSFORMATION

(Agenda No. 5)

Mark Stone, Interim Director for Transformation, made a presentation on the Transformation programme with the slides to be circulated to Members afterwards.

He described how the process is focusing on outcomes and the most cost-effective way to achieve them. The discussions on unitary proposals had actually helped the Transformation process. The aim is to have detailed proposals to deliver the required savings in 2017/18 followed by a three year programme of activity. He proposed quarterly public reporting.

Councillors supported the proposal for quarterly reporting. Mr Stone confirmed that a quarterly report would show the monthly steps.

Councillor Bartholomew questioned if savings could be made without widespread public dissatisfaction and gave the current high rate of complaints about pot holes and grass cutting as examples. Mr Stone responded that other Local Authorities had managed to make savings without incurring too much negative response and we should learn from their example.

Councillor Hards asked if the Transformation process had been disrupted by recent staff changes at Deputy Director level. Mr Stone stated that one of his observations was that the Council was currently over reliant on individuals rather than sound process and one of the opportunities from the transformation programme was to develop a more devolved model of accountability and staff changes were often helpful in this.

RESOLVED: that the Director for Transformation will report to this Committee quarterly.

51/16 FINAL ACCOUNTS 2015/16

(Agenda No. 6)

The Committee had before them a report (AG6) which presented the final accounts 2015/16.

Mrs Skivington introduced the report and confirmed that the draft accounts had been signed off by the Chief Finance Officer on 29 June 2016 in accordance with the Accounts and Audit Regulations 2015. The audit of the accounts was nearly finished. The Narrative Report is a new aspect of the accounts since last year.

In response to questions Mrs Skivington and Mrs Baxter made the following points:

- Depreciation is recorded annually in the accounts and is a measure of the wear and tear on buildings whereas revaluations take place at least every 5 years.
- The soft loans referred to on Page 57 of the agenda pack are given for policy reasons such as adaptations to homes to accommodate foster children.
- A question was raised in relation to the interest rate payable on the Council's LOBO loans referred to on Page 120. The average borrowing rate for the Council's LOBO loans, is less than the average borrowing rate for loans from the PWLB. The LOBO with Barclays of £5m has now changed to a fixed rate loan. The only impact for the Council will be greater certainty.
- Materiality (Page 244, point 4) is not based on a fixed amount and may vary according to the sensitivity of the item involved.
- Deposits with overseas banks are with their UK branches and are denominated in sterling so there would be no windfall if sterling strengthened against other currencies.
- OxLEP loans from the Growing Places Fund are decided by the Partnership itself and are expected to be repaid to allow for further support to business.

The Chairman proposed that point e) in the recommendation be amended to include consultation with the Spokesperson for the Opposition. This was agreed.

RESOLVED: to

- a) Note the Summary Accounts 2015/16 at Annex 1;
- b) Consider and approve the Statement of Accounts 2015/16 at Annex 2;
- c) Consider and approve the Letter of Representation 2015/16 for the Oxfordshire County Council accounts;
- d) Consider and approve the Letter of Representation 2015/16 for the Oxfordshire Pension Fund accounts;

- e) Agree that the Chief Finance Officer, in consultation with the Chairman of the Committee and the Spokesperson for the Opposition, can make any further changes to the Statement of Accounts 2015/16 and/or the letters of representation that may arise during completion of the audit.

52/16 EXTERNAL AUDITORS

(Agenda No. 7)

Mr King updated the Committee on the Final Accounts Audit. He stated that they were focussing on expenditure. So far there have been no misstatements detected.

The Auditors are considering an objection received from a local elector in relation to LOBO loans. About 24 other Local Authorities have received similar objections.

Ms Baxter responded that the objections are mostly focused on the interest rate. OCC's rate is quite favourable. She stated that she was confident that the related decisions were in line with procedures and strategies.

Mr King drew the Committee's attention to a key finding on Page 257 in relation to timeliness of reporting.

Mr Witty introduced the Oxfordshire Pension Fund Audit Report and apologized for the delay in sending the report which led to its late circulation for the meeting.

Ms Baxter stated that the delays in issuing statements referred to on Page 8 were due to two other employers and not the IBC.

RESOLVED: that the Committee noted the reports.

53/16 ANNUAL GOVERNANCE STATEMENT

(Agenda No. 8)

The Statement was presented by Mr Graham. It ensures our compliance with relevant codes. It lists new actions for 2016/17 and has already been before the Audit Working Group.

Councillors asked about this Committee's previous proposal to have a scrutiny committee on adult social care. Mr Graham responded that it had been discussed by the political group leaders and they believed that it was not a good time to make such a change with a new Council due to be elected next year. They also thought it would be better to have a more general review of scrutiny.

The Chairman asked if the report from the review can come to this Committee before it goes to Cabinet. Mr Graham said that he would ask the relevant officers.

RESOLVED: to approve the Annual Governance Statement 2015/16, subject to the Chief Legal Officer making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, Chief Executive and Section 151 officer.

54/16 UPDATE ON FINANCIAL CONTROL IMPROVEMENT PLAN

(Agenda No. 9)

The update was introduced by Mr Dyson. He emphasised that the improvement plan ran in conjunction with Transformation. A key aim was to ensure that controls were proportionate to risk. The plan was already highlighting inefficiencies.

In response to questions Mr Dyson made the following points:

- There will be many different interfaces with the SAP. A three-month roll out will begin in November.
- IBC exposed a number of poor practices on the part of the Council.
- All feedback is studied to identify the biggest problems.
- Currently a lot of resources are taken up in reporting. Improved systems can free up time for managers and finance staff.

Dr Jones reported that he was happy with the information being provided in reports to the Working Group.

RESOLVED: to

- a) Note the report;
- b) Request the Audit Working Group routinely review the actions taken; and,
- c) Receive a further progress report at the next Committee meeting on 9 November 2016.

55/16 INTERNAL AUDIT PLAN - PROGRESS REPORT

(Agenda No. 10)

Ms Cox presented the progress report. There have been no changes to resources since the last update in July. The audit of E&E ICT has been removed and replaced with an audit of Website Management & Security.

Ms Cox made the following points in responding to questions:

- The Early Years Payments Audit was still flagged as amber, as in the last report, due to issues regarding reconciliation and data matching. There was no material error. She is confident that this problem will be tidied up.
- The red flag on the Mental Health audit is as a result of significant weaknesses. The report will be finalised for the 27 October meeting of the Audit Working Group.
- Dealing with problems with BDU is a significant part of the Financial Control Improvement Plan.
- Some sessional workers were suspected of making dual claims with other local authorities. Unfortunately, the evidence was not sufficient for police to prosecute.

RESOLVED: to note the progress with the 16/17 Internal Audit Plan and 16/17 Counter Fraud Plan and the outcome of the completed audits.

56/16 LOCAL GOVERNMENT OMBUDSMAN'S REVIEW OF OXFORDSHIRE COUNTY COUNCIL

(Agenda No. 11)

Mr Graham summarised the report as follows:

- 553 complaints received by the Council
- 59 complaints received by the Ombudsman about OCC
- 15 were investigated
- 7 were upheld

This compares favourably with other county councils - OCC being third lowest in the number of complaints submitted to the Ombudsman and fifth lowest in the number of upheld complaints proportional to population.

Councillor Smith asked if the Council budgeted for claims against OCC. Mr Graham responded that claims were not counted as complaints although some people can make a claim as well as lodging a formal complaint. Mr Dyson stated that the insurance team collects information on claims and this is to be examined by the Performance Scrutiny Committee for any trends.

RESOLVED: to note this report and the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2015/16.

57/16 SCALE OF ELECTION FEES AND EXPENDITURE 2016-17

(Agenda No. 12)

Mr Graham introduced the report. He explained that this report dealt with election expenditure for the 2016/17 council year. There will be another report for 2017/18 which will cover the next Council election. District councils have reported difficulty in recruiting staff for elections. This may need to be considered in terms of ensuring that the fees are attractive.

Councillor Hards suggested that the search for election staff could be widened. He was of the view that many potential candidates don't know about the opportunity.

RESOLVED: to approve the Scale of Expenditure for the financial year 2016/2017, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.

58/16 REGULATION OF INVESTIGATORY POWERS ACT

(Agenda No. 13)

Mr Graham presented the report. It is a legal requirement that the Council publishes its policy on covert surveillance. The main use recently has been to check for under age sales of tobacco or alcohol. Such cases are required to be authorised by a magistrate.

Dr Jones stated that he understood that reports of surveillance were to go to him as the Chair of the Audit Working Group. He recalled receiving one report. Mr Graham responded that he would discuss this with the officer who drafted the policy.

RESOLVED: to note the use of activities within the scope of RIPA by Oxfordshire County Council.

59/16 AUDIT WORKING GROUP REPORT

(Agenda No. 14)

Ms Cox introduced the report of the Working Group meeting on 1 September 2016. The Group’s Terms of Reference require that the Committee Chairman be a member so the Group requested the Committee to review its membership following the change of Committee Chairman.

RESOLVED:

- a) to note the report; and
- b) to confirm the following membership of the Audit Working Group
 - Dr Geoff Jones (Chairman)
 - Cllr Sandy Lovatt
 - Cllr Nick Hards
 - Cllr Roz Smith
 - Substitute: Cllr Alison Rooke
 - Substitute: Cllr David Wilmshurst

60/16 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

(Agenda No. 15)

The Committee agreed the Committee’s work programme, subject to the following additions:

Add for 11 January 2017:

- Internal Audit Plan Progress Report (Sarah Cox)
- Ernst & Young Audit Plans

Add under “Standing Items”:

- Report from the Director for Transformation (Quarterly)

..... in the Chair

Date of signing 20