

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 26 February 2014 commencing at 2.00 pm and finishing at 4.11 pm

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

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

Other Members in Attendance: Councillor Nick Hards

By Invitation: Maria Grindley & Alan Witty (Ernst & Young)

Officers:

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

Part of meeting

Agenda Item	Officer Attending
Item 8	Rachel Dunn

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 and reports, copies of which are attached to the signed Minutes.

9/14 **APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Councillor Dhesi attended the meeting and did not have a substitute as notified.

10/14 MINUTES

(Agenda No. 3)

Agreed and signed subject to the following amendments:

Minute 3/14 - minor typographical corrections.

Minute 4/14 – Delete the final sentence of the preamble and replace with the following:

“In response to a request from a member of the Committee, Mr Dyson undertook to report back on the operation of the Stewardship Fund.”

It was further agreed that to avoid undue delay Mr Dyson consult with the Chairman on what should come back to the next meeting.

11/14 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None.

12/14 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL 2014

(Agenda No. 5)

The Committee were asked to consider the Draft Audit & Governance Committee Annual Report for 2103 (AG5), which Ian Dyson confirmed had been drafted in consultation with the Chairman, Councillor Wilmshurst. The Committee were asked for their views before the report is finalised and put before Council.

It was noted that the results of various appeals dealt with by the Appeals & Tribunals Sub-committee were missing from the report, and the fact that they had taken place was not recorded. It was confirmed that these reports needed to be considered, although the information was dealt with by two departments.

Members of the Committee suggested amendments to the report which would entail looking at various bullet points to ensure that they focussed on positive activity, rather than the issue.

The view was expressed that the wording on risk management needed to be reviewed to reflect discussions which had previously taken place at the Audit Working Group, noting that some measures could be reported on a 6 monthly basis.

In discussion the Committee also indicated that the reference to the externalisation programme should be expanded to reflect its importance and removal of the word “very” from the report in respect of External Audit.

RESOLVED:

To note the report, subject to the amendments discussed.

13/14 REVISED CIPFA GUIDANCE FOR AUDIT COMMITTEES

(Agenda No. 6)

Ian Dyson referred to the new CIPFA Guidance for Audit Committees, in respect of which a link had been provided to members. The Committee were informed that although the position had moved on from the 2005 version of the Guidance, there was no change of emphasis. The new document had been found to be a generally more useful aid, with more templates and good practice examples for bench marking.

The Committee were asked to consider undertaking an assessment against the good practice guidance:

- The self-assessment at Appendix D;
- Evaluation of Effectiveness of an Audit Committee and
- The Members Framework of skills needed to be an effective member of the Committee, at Appendix E.

In discussion, Committee noted that they had undertaken self-assessments under the 2005/6 Guidance and completed a skills assessment. It was suggested by Ian Dyson that the skills assessment be completed by members on a one-to-one, confidential basis, with either himself or Peter Clark, County Solicitor and Monitoring Officer.

The results would then be reported back to Committee exhibiting the range of skills available to the committee through its members. Mr Dyson confirmed a review was last carried out in this manner in 2007, and that assessments of this nature ensured a broader self-assessment as a Committee, together with confirmation of the effectiveness of the Audit Working Group. Members agreed that the Audit Working Group needed to be suitably skilled.

Mr Dyson confirmed that the last guidance had led to the Council making a challenge back to CIPFA on an issue of compliance, over the independence of the Chairman of the Audit Committee. The Council had successfully argued with CIPFA that it aided the governance for the Chairman to also sit on a Scrutiny Committee.

In discussion the Committee heard from Maria Grindley, Ernst & Young, that there were plenty of tool kits available on the internet for local government audit committees, encouraging self-assessment, but she felt that consistency and independence were the most important issues.

Peter Clark reaffirmed that the purpose of the process was to ensure that the Committee overall had the required skills to discharge the Governance & Audit functions for which they were responsible.

RESOLVED to:

(a) agree that the skills and knowledge audit for members of the Committee be undertaken on an individual confidential basis; and

(b) agree that the remaining self-assessment of the Committee's effectiveness and good practice be carried out by questionnaire, with the collated results reported back to the Committee.

14/14 PROGRESS REPORT & GRANTS CLAIM REPORT

(Agenda No. 7)

The Committee had before them the Progress Report & Grants Claim Report (AG7), circulated with the Agenda.

Maria Grindley referred to the Audit Plan, and confirmed that the Code and Standards had not changed but the Audit Code had changed. The key area of the report was shown on the Specific Risks Table at page 29 of the report, providing information of the potential risks relating to:-

- academies – it was noted that the financial statement reflected transfers of assets from the Council to academies;
 - management override – showing variation of the Council's financial picture;
 - pension valuations – which can allow big numbers shifting significantly year on year, but which should provide enough evidence of valuations;
- and
- non achievement of savings on the Council.

In discussion, Maria Grindley confirmed that in terms of the use of resources, there were no real issues, and that maintaining financial stability was always a challenge. Compared to other authorities, the systems and processes in place at the Council worked, although this did not mean that there will not be issues to find this year.

Councillor Smith remarked that the externalisation of services concerned her and this would be a high priority issue next year. She also queried the agreed budget which appears may have a gap in, in years to come. Lorna Baxter clarified that this was not the case, and that the budget contained clearly attributable savings. It was confirmed that some of the savings in later years were not detailed plans, but would be firmed up as they neared their implementation date as would be expected.

The assessed likelihood of the risk of Management Override and Non-achievement of Savings was also discussed. Maria Grindley confirmed that with regards to the Non-achievement of Savings, her assessment was based on the past administration and management of the Council's savings plans to date. Dr Geoff Jones stated that he felt the risk of Management Override, should not have been assessed as "high/high", and Maria Grindley confirmed that this was her judgment; there was no wider risk of this occurring or that it was likely to happen, and this element could be shifted. Its placing was linked in with other findings nationally. It was noted that Ernst & Young had partners who had experienced management over-manipulated a position to show a better financial position of an organisation, but equally, an organisation might be tempted to manage figures in order to worsen a financial position, and thereby bring an end to cuts.

Regarding the Risk of Management Override at page 31 of the report and the risk of fraud, Councillor Smith commented that she found the statement difficult, and possibly inappropriate in a local government situation. However, Committee were

advised by the Ernst & Young representatives that they had seen examples of this, and although they were not saying local authorities manipulate accounts, this ensures there is no bias in their position.

It was noted that at the next meeting, the Committee were due to receive a report on business strategy, covering plans being drawn together now.

Clarification was sought over the fee of £970.00 charged for 2012/13 fee and a refund which had been processed.

RESOLVED: to note the report.

15/14 ELECTION FEES & CHARGES

(Agenda No. 8)

Peter Clark, County Solicitor and Monitoring Officer, referred to the report before Committee (AG8) dealing with the issue of charges for payments made to the District Council's Deputy Returning Officers (DRO's), who organise elections on behalf of the County Council's Chief Executive and Returning Officer (RO).

Rachel Dunn, Senior Democracy Officer, confirmed that the scale of charges before Committee had been agreed by the District Authorities as reasonable.

In discussion, Councillor Smith, asked about the odd pence shown within the scales, the Committee were informed that the figures quoted were generally historical, and although some changes had been made to fees, these were generally rounded to the nearest 5 pence, but it was confirmed that the Districts were happy with these sums. If these amounts were to be rounded up or down, this would mean having to re-approach the Districts and renegotiate.

It was confirmed that as the Returning Officer, the Chief Executive is a named officer in charge of the process of elections, and is charged with delegating the work of the County Council elections to the District Councils (who act as DRO's), and are in turn responsible for the counting of votes etc. The appointment of the Returning Officer is separate to the appointment of Chief Executive, and is a separate responsibility with the Electoral Commission, as to how to execute an election.

Peter Clark confirmed that the costs accrue every year, for the 4-yearly election process, and stressed the need for the Council's Returning Officer to work closely with its partners.

RESOLVED: to approve the Scale of Expenditure for the financial year 2014/15 for the election of County Councillors and any other local referendums, but to consider the rounding up or down of odd pence in future negotiations.

16/14 AUDIT WORKING GROUP REPORTS

(Agenda No. 9)

The Minutes of the Audit Working Group meeting which took place on the 26 February 2014, were before Committee (AG9). The main issues arising were:

- Client charging update;
- Property leases;
- The Audit Commission Fraud Briefing given to the Audit Working Group;
- Oxfordshire Fire & Rescue Service (OFRS) Risk Management Process;
- The Internal Audit Report;
- Audit Working Group Terms of Reference.

The report from the meeting was noted and agreed by Committee.

It was noted that there would be a private session for members of Audit Working Group between 1.00-2.00pm prior to the April meeting with the Chief Internal Auditor in respect of the Annual Governance Statement. A similar session prior to the September meeting would also be arranged with the Council's external Auditors.

Councillor Mathew observed that he was unhappy with the delay of 1 month or longer in making refunds to social clients, and was also dissatisfied with the position on property leases. He felt that there should be an assurance that lease renewals would be flagged at least 4 months before the lease runs out.

Ian Dyson reminded Committee that the report was a status report, rather than a performance report.

RESOLVED:

- (a) to note the reports;
- (b) there will a special meeting of the Audit Working Group prior to the meeting of the Committee on the 23 April 2014, and a further meeting of the group with Ernst & Young before the Committee meeting in September 2014;
- (c) it was generally agreed that in relation to property leases, an assurance be sought from the Directorate that negotiations for the review of leases in the next 12 months, will be flagged to commence at least 4 months before the expiry of the lease.

17/14 AUDIT & GOVERNANCE COMMITTEE - DRAFT WORK PROGRAMME 2014/15

(Agenda No. 10)

RESOLVED: the Committee noted the Committee's work programme for April 2014 onwards.

..... in the Chair

Date of signing 2014