

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 11 January 2017 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 Nick Hards  
Councillor Alison Rooke  
Councillor Roz Smith  
Councillor John Tanner  
Councillor Stewart Lilly (In place of Councillor Tim Hallchurch MBE)

**Non-Voting Member:** Dr Geoff Jones

**By Invitation:** Alan Witty (Ernst & Young)

**Officers:**

Whole of meeting Lorna Baxter, Director of Finance  
Ian Dyson, Assistant Chief Finance Officer (Assurance)  
Sarah Cox, Chief Internal Auditor  
Nick Graham, Director of Law & Governance and Monitoring Officer  
Colm Ó Caomhánaigh, Committee Secretary

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
7	Donna Ross, Strategic Finance Manager
8	Steve Munn, Director of Human Resources Sarah Currell, HR Manager, IBC Interface
11	Glenn Watson, Principal Governance Officer

*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.*

## **1/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Apologies were received from Councillor Tim Hallchurch (Councillor Stewart Lilly substituting).

## **2/16 MINUTES**

(Agenda No. 3)

The minutes of the meeting of 14 December 2016 were approved and signed.

Councillor Constance expressed concern that the discussion on the Senior Management Review (SMR) focussed on titles and there was little discussion of reporting structures. She asked if another session could be considered to cover that issue.

Councillor Bartholomew reiterated that it would have been better if the Committee could have discussed the SMR before it was discussed at Council.

## **3/16 INTERNAL AUDIT 2016/17 PROGRESS REPORT**

(Agenda No. 5)

Ms Cox introduced and summarised the report. She updated Members on the results of a recent check on blue badge use. Out of 592 badges checked, 29 were seized. The most common reasons for misuse were that the badge holder was deceased or not present. Asked if prosecutions would result, Ms Cox said that there will be a meeting to discuss that next week.

In response to questions Ms Cox and Mr Dyson made the following points:

- The 40 spot checks on expenses claims were targeted on those that showed an increase after self-reporting was introduced so the fact that 2 cases were currently under investigation was not necessarily representative of all claims.
- The data check for deceased against pensions and residential home payments uses a national database so out-of-county deaths should be picked up. The check is not only on names but also uses other personal details.
- Environment & Economy Property has been removed from the audit plan because the contract is being reviewed by senior management but it will be done early in the new financial year.
- LAS on pages 16 and 17 stands for Liquidlogic Adult Social Care – the name of the software system.
- Mr Dyson said that he was not aware that there were any incidents as a result of the control weaknesses identified in the content management system.
- The Joint Management Group which governs arrangements between OCC and Oxford Health has resumed meetings since the audit was completed.
- Security assurances have now been received from the suppliers of software for pensions administration.
- Members of the Committee can email Ms Cox if they would like the full reports of completed audits.

**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.**

#### **4/16 UPDATE ON FINANCIAL CONTROL IMPROVEMENT PLAN**

(Agenda No. 6)

Mr Dyson introduced the report which has been retitled the “Finance Improvement Plan” since its inclusion in the transformation process.

Members raised a number of issues on the report:

- Councillors and others received pay slips in the post in November followed by an email apology. Mr Dyson undertook to find out what happened.
- The performance in debt collection had deteriorated as reporting was late due to anomalies discovered and the team had to be upskilled. A drop in aged debt could now be expected.
- Regarding audit actions the Audit Working Group had agreed to carry out a full review of actions and check priorities.
- The introduction of pre-paid cards to replace cash will reduce risk overall. It will cost £160,000 in year 1 and £120,000 annually after that.
- While the accuracy of pension reports has improved, there are still problems and an independent expert has been appointed by Hampshire who will report at the end of the month.

**RESOLVED: to note the report.**

#### **5/16 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2017/18**

(Agenda No. 7)

Mrs Ross introduced the report. She emphasised that no new instruments were proposed in the strategy.

Officers responded to points raised by Members:

- Asked if continuing with the same “steady-as-you-go strategy” is appropriate given the changed environment in the last year, Ms Baxter said that the current priorities remained security, then liquidity and then yield.
- On the question as to whether UK banks would be bailed-in when the UK is no longer part of the EU, Mrs Ross said that bail-in legislation was enacted early in the UK and is already part of UK law. Deposits with another EU member state would be subject to bail-in after the UK leaves the EU, although the Council only deals in Sterling.
- While OxLEP may not be able to borrow again at the discounted Public Works Loan Board (PWLB) project rate, it is hoped that this may be replaced with a similar scheme with an infrastructure rate.
- It is not envisaged that the successor to the PWLB will make any significant changes to its lending arrangements from the Council’s point of view. The change will be mostly related to governance of the organisation.

Councillor Smith suggested that the resolution part a) should be amended to “note” the strategy rather than “endorse” it. The Chairman put the resolution as proposed in the report to a vote and it was carried with 7 votes in favour and 2 abstentions.

Part b) of the resolution was agreed.

**RESOLVED to:**

- a) **endorse the Treasury Management Strategy for 2017/18 as outlined in the report;**
- b) **note that due to the early timing of this report, Prudential Indicators i to vi have not been included in Appendix A as they are dependent on updates to the 2017 capital programme. Full indicators will be included when the report is considered by Council in February.**

**6/16 HAMPSHIRE PARTNERSHIP - HR UPDATE**

(Agenda No. 8)

Mr Munn introduced the report updating the Committee since the last report 6 months ago. He stated that improvements had been made to IBC and he was satisfied that Hampshire were listening to our concerns. He acknowledged that Hampshire had difficulties retaining staff in Winchester and had lost some specialist knowledge.

Officers responded to questions from Members as follows:

- Asked to clarify “using root cause across end to end process”, Ms Currell explained that it meant that the review was not confined to the OCC or IBC parts of the process.
- It was agreed that point 5.4 on page 74 should read “January 2017”.
- The Subject Matter Expert referred to in 2.1 on page 72 will be engaged at Hampshire’s expense.
- If a member of staff were to be successful in suing the Council over errors in the system, we would seek to recover costs from Hampshire.
- The switch to IBC had delivered the expected savings. However, the continuing problems were delaying the introduction of other measures that could contribute to savings, for example in Transformation.
- Mr Munn advised that his department will lose key members of staff over the next 12 months.

**RESOLVED: to note the current position and agree that a further update be provided in 6 months once the outcome of the formal Review of OCC Payroll Configuration has been completed, any implications for OCC identified, and required remedial actions fully documented.**

**7/16 EXTERNAL AUDITORS**

(Agenda No. 9)

Mr Witty introduced the plan. In reference to previous discussions on other agenda items, he pointed out that they will be looking at IBC in February and noted that Ernst & Young are also auditors for Hampshire County Council. It was his experience that many authorities are finding it difficult to produce annual statements on pensions.

Asked how his company satisfies itself that the organisation has a culture of ethical behaviour and a strong control environment as referred to in paragraph 2.1, he responded that they attended committee meetings, tested transactions and looked at internal audit reports.

## **8/16    PROGRESS UPDATE ON ANNUAL GOVERNANCE STATEMENT ACTIONS** (Agenda No. 10)

Mr Graham introduced the report which is an annual process which coincides with the accounts. The following points were discussed:

- In relation to repairs and maintenance in schools, Premises Visit Reports go to Carillion as it is their responsibility.
- Councillor Smith stated that the £5,000 allocated to schools for repairs and maintenance is far from enough, especially for schools with listed buildings.
- The Commercial Services Board meets every month.

Mr Watson gave the update for Corporate Security (no. 8). The work had been completed with the introduction of swipe cards and the provision of extra training. Currently the Chief Fire Officer is the lead officer but this is being reviewed as the scope is being broadened to include information security.

Members expressed concerns about security at County Hall, specifically that the ground floor entrance to the office area had been open for a prolonged period and that the council chamber had been vulnerable to unauthorised access when the doors to the cafeteria were open during the summer.

Mr Graham acknowledged that there were difficulties given that public access to certain areas must be maintained. He pointed out that there were also swipe card points on each floor in the offices.

It was agreed to ask the Facilities Management lead to meet with the Audit Working Group to explore concerns.

Members also asked if safety at public events had been reviewed following recent terrorist attacks in other countries. Mr Graham responded that he would raise the matter with the Chief Fire Officer.

Mr Watson updated the meeting on Transformation (No. 6) and described how the Transformation Board has created five work streams which it will monitor.

**RESOLVED: to note the progress on the actions.**

**9/16 CONSTITUTION REVIEW**

(Agenda No. 11)

Mr Graham introduced the report which covers both changes already made to the Constitution and proposals for change. He drew the Committee's attention to the proposal on writing-off debts. Members asked if this was removing the £10,000 delegated limit but Mr Graham explained that it did not. The new procedure only applied to situations where a settlement is being negotiated.

Members discussed the inconsistent speaking rules for county councillors at city and district planning meetings and for city and district councillors at county planning meetings. Mr Graham reported that the Chairman of the Planning and Regulation Committee had written to her counterparts in the other councils to urge a consistent approach on this matter. It was agreed to await the responses before considering the matter further.

**RESOLVED to:**

- a) **endorse the proposed change to the Council Procedure Rules outlined at paragraph 6 of this report (Financial Procedure Rules, write off provisions);**
- b) **agree to the Monitoring Officer proposing the change for Full Council's approval; and**
- c) **note the changes made to the Constitution by the Monitoring Officer under delegated powers since December 2015 (i.e. since the last annual Constitution Review report to Council).**

**10/16 AUDIT WORKING GROUP REPORT**

(Agenda No. 12)

It was agreed that the issues in the report had already been covered in discussions on earlier items in the agenda.

**RESOLVED: to note the report.**

**11/16 WORK PROGRAMME**

(Agenda No. 13)

The Committee discussed its work programme for 2017. Dr Jones suggested that the item OCC Accounts 2016/17 could be brought forward from September to the July meeting. It was agreed that the Chairman will consider this proposal and confirm a date at the next meeting. The plan was adopted by the Committee.

..... in the Chair

Date of signing 2017