



Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,
Dorset, DT1 1XJ on Wednesday, 8 June 2016

Present:

Trevor Jones (Chairman)
Kate Wheller, Pauline Batstone, Lesley Dedman and Peter Richardson.

Other Members Attending as Observers:

Deborah Croney, Daryl Turner, David Walsh

Officers Attending: Jonathan Mair (Monitoring Officer), Mark Taylor (Group Manager - Governance and Assurance), Richard Bates (Chief Financial Officer), Denise Hunt (Senior Democratic Services Officer), Peter Moore (Head of Environment), Chris Scally (Project Manager, Corporate Development), Marc Eyre (Senior Assurance Manager (Governance, Risk and Special Projects)), Rupert Bamberger (Audit Manager (South West Audit Partnership)) and John Oldroyd (External Auditor).

(Notes: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **Tuesday, 20 September 2016.**)

Apologies for Absence

1 Apologies for Absence were received from Hilary Cox, Janet Dover, David Harris and Peter Wharf.

Code of Conduct

2 There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

Terms of Reference

3 **Resolved**
That the Committee's terms of reference be noted.

Public Participation

4 Public Speaking
There were no public questions received at the meeting in accordance with Standing Order 21(1).

There were no public statements received at the meeting in accordance with Standing Order 21(2).

Petitions

There were no petitions received in accordance with the County Council's petition scheme at this meeting.

Annual Internal Audit Report 2015/16

5 The Committee considered a report by the South West Audit Partnership (SWAP) which summarised the work of the Internal Audit service for 2015/16. The Assistant Director (SWAP) introduced the report and provided a brief introduction of the role of SWAP which was set out in the Internal Audit Charter. He advised that the Council had been awarded a reasonable assurance in 2015/16 and that risks had generally been well managed with no areas of significant corporate concern.

One specific audit review had been commissioned to help assess the apportionment of the financial contributions and governance model for the Joint Archives Service. The outcomes of this review had reflected on concerns over the disproportionate governance model in place when compared to the activity involved. SWAP had also provided an objective basis for the funding settlement between the partner authorities of Dorset, Bournemouth and Poole over the next 2 years.

The Chairman then highlighted that previous SWAP audits had raised a number of issues with regard to the country parks service and that 22 recommendations had been raised leading to a partial assurance. The Head of Environment had therefore been asked to attend the meeting to provide information on the current status of audit recommendations.

The Head of Environment clarified that this latest review was not related to the procurement of a catering contract at Durlston Country Park that had been the subject of previous consideration a few years ago by the Audit and Scrutiny Committee. This particular audit review concerned the income management portfolio where a large number of relatively low level issues had been identified, primarily at Durlston Country Park. This had led to SWAP's assessment of a partial assurance opinion. He reported that a large number of the recommendations had been implemented, however, further work was required to assess recommendations that were in conflict with existing practices and whether these could be implemented on a practical level.

The Committee was informed that good progress had been made and that there was an ongoing dialogue with SWAP regarding the audit actions. Most of the required actions would be completed during the summer period and the longest timescale for an action was 31 March 2017 in relation to the Income Strategy.

It was confirmed that follow up audit work would be undertaken due to the partial assurance that had been given and an update provided in SWAP's next quarterly report to the Committee.

Resolved

1. That the Head of Internal Audit's overall positive assurance opinion on the Council's risk management, governance and internal control environment for 2015/16 be noted;
2. That the assurance opinion given in respect of the "review of the effectiveness of internal audit" as required by the Accounts and Audit Regulations 2015 be noted;
3. That the results of the follow up audit for country parks be included in the SWAP quarterly report to be considered by the Committee at its meeting on 20 September 2016.

Reasons for Decisions

To contribute to the Council's aim to 'provide innovative and value for money services' through;

The Head of Internal Audit's opinion on the Council's risk management, governance and internal control environment for 2015/16.

The Chief Financial Officer's opinion on the "review of the effectiveness of internal audit and system of internal control" for 2015/16.

Internal Audit Plan 2016/17

- 6 The Committee considered a report by the Assistant Director, SWAP which set out the Internal Audit Plan for 2016/17 and included the Internal Audit Charter setting out the relationship between the County Council and SWAP.

The Assistant Director highlighted elements of the plan, in particular the work in relation to outcomes arising from the Healthy Organisation review which sought to provide an assessment of the health of the organisation by reviewing certain themes

including corporate governance and risk management. He also confirmed that the audit plan was flexible and that, if necessary, resources could be adjusted to cover audits not currently identified in the plan to address emerging issues.

Referring to the high risk reviews identified in the Plan in 2016/17, the Chairman stated that risks associated with the audit of the Joint Archives Service should be shared more widely with the aim of highlighting the governance and funding risks that remained many years after the inception of the Joint Archives Service. This would be particularly relevant given the future requirement for partnership working.

Resolved

- 1 That the Internal Audit Plan for 2016/17 and the Internal Audit Charter be noted;
- 2 That the outcomes of the audit of the Joint Archives Service be incorporated into the audit of governance / due diligence work of devolution bids, local government reorganisation and combined authority in 2016-17 and be also fed into the Healthy Organisation review.

Reason for Decisions

To enable an annual independent assurance opinion to be given on the Council's risk, governance and internal control environment

External Audit Plan 2015/16

- 7 The Committee considered a report by the Senior Manager, KPMG, which outlined the Financial Statement Audit and Value for Money Arrangements work. A significant audit risk had been identified relating to the valuation of property and other areas of audit focus concerned the preparation of group accounting in relation to the Local Authority Trading Company (LATC), Tricuro Support Ltd, which was also audited by KPMG.

KPMG had been contacted by a member of the public under the right of elector challenge and asked to investigate Section 38 agreements which had remained outstanding for more than a decade, primarily in relation to the Poundbury development. The elector challenge had not yet been formally accepted by KPMG.

The Vice-Chairman questioned whether the Committee should receive copies of Tricuro audit reports in order to provide independent assurance. The Chief Finance Officer advised that such reports would be considered by the Tricuro Management Board in the first instance, however, further assessment of how audit reports were fed back to the partner authorities could be explored at his monthly meetings with the Director of Tricuro. He reported that the Company had made a surplus during its first year of operation and had performed well from a financial perspective.

Members were further advised that the Executive Shareholder Group had a scrutiny role and that any proposal to expand scrutiny would be a joint arrangement in conjunction with the partner authorities.

The Chairman of the People and Communities Overview and Scrutiny Committee advised that this Committee would receive information from Tricuro and that two members of the Committee were in the process of investigating how to take this forward.

Noted

Draft Annual Governance Statement 2015/16

- 8 The Committee considered a report by the Chief Executive setting out the draft Annual Governance Statement for 2015/16 which was a statutory document that set out the key features of the governance framework in the Authority and a review of its effectiveness.

Members were informed that the Statement contained the actions that would be necessary to achieve full compliance with the Local Code of Corporate Governance Compliance Assessment 2015-16. It was suggested that the Committee may want to revisit the document later in the year to ensure compliance had been achieved.

RECOMMENDED

That Cabinet considers and comments on the draft Annual Governance Statement for 2015/16.

Reason for Recommendation

Approval and publication of an Annual Governance Statement by the County Council was a statutory requirement and provided evidence that the County Council maintained high standards of governance and addressed significant shortcomings and risks.

Bidding Procedure to Manage External Funding Activity

9 The Committee considered a report by the Policy and Performance Officer that included a revised corporate external funding bidding form. The former Audit and Scrutiny Committee had wished to ensure that the process was adhered to and that future bids supported the Council's priorities in the corporate plan, given the limited availability of resources in undertaking bidding activity.

The Policy and Performance Officer advised that most bidding activity was managed within the individual service Directorates and that bids of up to £500k were approved by Heads of Service, or a decision by Cabinet was required if the bid was above this amount or resulted in a change of policy. There were sometimes very short timescales for the submission of bids which posed a difficulty in strict adherence to the approval process. A light touch enforcement approach had therefore been taken, given that there was no central team in place to undertake this activity.

Members were informed of the difficulty in developing a strategy due to the variety of bids and considered that this would quickly become out of date and very resource intensive to produce. The policy had therefore been tightened in order to align bids to the corporate priorities. The whole process would be further assisted by the outcomes based accountability framework which included specific measures. It would also be important to put in place robust governance arrangements through partnership agreements when bids were made in conjunction with other organisations.

The Chairman asked how officers were made aware of bids and was informed that this was through Heads of Service and certain officers having operational relationships with agencies, lottery and charitable funding streams and databases such as Grant Finder and Funding Central.

In response to a question it was confirmed that the opportunities to bid had declined since 2010, but had now plateaued at a lower level. The way in which bids were put together was becoming more sophisticated and could be based on outcomes across a geographic area or partnership.

Members asked how much effort had been involved in the securing of £100m funding during the previous 3 years and were advised that a large proportion had been acquired through successful highways bids using a competitive process linked to how the Asset Management Plan was rated. The Highways team had reaped benefits by ensuring that the Council's Asset Management Plan was in one of the top categories in this respect.

The Committee concluded that it would be necessary to accept the limited changes

that were being proposed in the absence of a dedicated team to support this type of work. They were also mindful of the need to ensure that resources were not used in the development of bids that were disproportionate to the amount gained.

Members were informed that external funding would be reported to the Committee in future.

Resolved

- 1 That the update to the External Funding Policy highlighted in red text in Appendix A to this report be supported;
- 2 That the external funding Annual report to be considered by the Committee in January 2017 includes examples of simple and complex bids and any lessons learned.

Reason for Decisions

To ensure that the cost-benefit external funding bidding activity contributed to the delivery of corporate aims.

Draft 2015/16 Outturn and Financial Management Report

- 10 The Committee considered a report by the Chief Financial Officer containing the budget outturn information for the 2015/16 financial year and an early indication of the outlook for 2016/17 based on the latest information from Directorates.

The Chief Financial Officer advised that sign off of the accounts had taken place one month earlier on 31 May 2016 allowing external audit verification to commence on 6 June 2016.

Overall there had been an overspend of £688k which was less than that predicted in February 2016. Changes that had occurred in the intervening 3 month period to reduce the overspend included changes in redundancy costs, a lower overspend in the Adult and Community Services Directorate arising from the winter pressures contingency budget and a better than expected outturn on some of the partnership budgets.

He explained that there had been a change in the way the Authority calculated its Minimum Revenue Provision (MRP), an amount set aside for the repayment of borrowing used to fund the capital programme. Due to the way in which the calculation had been overly prudent in the past, some of this money would be released back into reserves which had improved the general balances, despite the overspend. However, the ability of the Authority to offset overspend from central reserves could not continue in the same way as previous years.

The Chief Financial Officer highlighted the areas of over and underspend detailed in the report, and in particular the impact on the Children's Services budget of the increased number of children in care which was a pressure faced by other local authorities. A monthly monitoring meeting had therefore been arranged between the Chief Financial Officer, the Chief Executive and the Director for Children's Services.

An area of risk within the Adult and Community Services Directorate was the securing S75 funding from the joint working with the Clinical Commissioning Group (CCG). He was pleased to report that the total amount of £10.5m had been successfully achieved and funding released to the County Council to support the Adult Social Care Budget in 2015/16. Any future decision to use business rates for this purpose would remove the need for negotiation of funding with the CCG.

In terms of the 2016/17 projection, it was felt that the potential overspends could be reduced by the year end to zero, or lower, if the savings on property were delivered. However, the main concern remained with the Children's Services budget.

In response to a question the Chief Financial Officer advised that the Audit and Governance Committee was the primary body to monitor the overall budget position. The Budget Strategy Task and Finish Group helped to drive the future savings programme but had no responsibility to manage the in-year budget and was not a formal committee. If there were particular concerns then the Committee had the ability to call a particular senior manager to account. It could also refer matters to the Overview and Scrutiny Committees if an in depth investigation of the issues was required.

The Chairman requested that a table be produced to show the way in which funding from central budgets had been used during the past 10 years to help offset overspends within Directorates. It was agreed that this information would be provided as part of a finance briefing report to the Overview and Scrutiny Management Board on 27 June 2016.

Resolved

- 1 That the comments of the outturn section of the report be noted;
- 2 That a further report on the outturn, as part of the closing of accounts and audit, be considered by the Committee on 20 September 2016.
- 3 That the forecast position for 2016/17 and actions being taken, through the Forward Together 2020 programme and the Budget Strategy Task and Finish Group be noted;
- 4 That a finance briefing report which includes an overview of the previous 10 years' budget outcomes be prepared for the next meeting of the Overview and Scrutiny Management Board on 27 June 2016.

Reasons for Decisions

To allow officers to continue work on the accounts closure process and to work positively with the Authority's Auditors, KPMG. The aim to have the unaudited accounts certified by the Chief Finance Officer by 31 May is a full month earlier than usual and would ensure compliance with the Accounts and Audit Regulations 2015 two years before earlier certification was mandatory.

To understand the anticipated pressures arising so far and to obtain comfort that strategies were in place to address the projected performance during the year.

Constitutional Changes

- 11 The Committee considered a report by the Monitoring Officer proposing changes to the Council's Petition Scheme.

The Monitoring Officer explained that changes to the Constitution would be part of the remit of the Committee in future as part of its governance role. The change to the Petition Scheme related to petitions containing between 50-999 signatures and it was suggested that these were considered by a Panel so that each petition could be heard in a shorter timescale than the current scheme. The Panel membership would include the relevant Cabinet Member, the Local Member and 3 other members, not politically proportioned.

The Chairman requested that the 3 other members were made up of Councillors from other groups wherever possible to avoid the Panel being dominated by one political group and it was confirmed that officers would strive to achieve this, bearing in mind the availability of members in forming a Panel.

It was further suggested that the list of actions under the section "How will the Council respond to petitions" should not be exhaustive and include other methods of response when necessary.

RECOMMENDED

That the Petitions Scheme be updated as outlined in Appendix 1, and replaced in the Constitution by the County Council.

Reason for Recommendation

To contribute to the corporate aim to 'provide innovative and value for money services'.

Work Programme

12 The Committee considered its work programme.

Resolved

That the Draft Financial Outturn and Financial Management Report be considered at the meeting on 20 September 2016.

Questions by County Councillors

13 No questions were asked by members under Standing Order 20 (2).

Meeting Duration: 10.00 am - 11.45 am