



## Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Friday, 20 January 2017

**Present:**

Trevor Jones (Chairman)

Pauline Batstone, Matt Hall, David Harris, Peter Richardson and Peter Wharf.

Other Members Attending:

Toni Coombs, as former Cabinet Member for Children and Young People

Deborah Croney, as Cabinet Member for Learning, Skills and Children's Safeguarding

Robert Gould, as Leader of the County Council

Jill Haynes, as Cabinet Member for Adult Health, Care and Independence

Officers Attending: Debbie Ward (Chief Executive), John Alexander (Senior Assurance Manager - Performance), Roger Allen (Senior Procurement Officer), Rupert Bamberger (Audit Manager - South West Audit Partnership), Richard Bates (Chief Financial Officer), Steve Hedges (Group Finance Manager); Sarah Johnstone (Communications Commissioning Manager), Jim McManus (Chief Accountant), Patrick Myers (Head of Design and Development), Mark Taylor (Group Manager - Governance and Assurance) and Denise Hunt (Senior Democratic Services Officer).

(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 **Monday, 13 March 2017**).

**Apologies for Absence**

1 Apologies for absence were received from Hilary Cox, Lesley Dedman and Kate Wheller.

**Code of Conduct**

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

**Minutes**

3 The minutes of the meeting held on 7 December 2016 were confirmed and signed.

**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.

**Primary School Meals Contract - Contract Extension Consultation**

5 The Committee considered a report by the Chief Financial Officer having regard to the findings of a previous Call to Account relating to the existing contractor, Chartwells.

Councillor Toni Coombs, as the former Cabinet Member for Children and Young

People described the problems that had occurred at the outset of the contract with Chartwells and the subsequent actions that had been taken to resolve them. The work achieved following the Call to Account had given her confidence that the contract with Chartwells should continue at that time and that lessons had been learned internally.

Mr O'Toole, a school meals provider based in Bournemouth, addressed the Committee and advised that his company provided 2,500 school meals a day. He felt that the report took the approach that extension of the current contract was the only option and disagreed with its assumptions which effectively created a monopoly and were not in the spirit of the Public Contract Regulations. He also expressed his opinion that it had been demonstrated during the Call to Account that a fair market process had not been established previously and that a number of smaller suppliers could provide a countywide service. This would have the added benefit of maintaining supply in the event of a failure in any area.

Councillor Deborah Croney, the Cabinet Member for Learning, Skills and Children's Safeguarding reported that she had visited Chartwells and had been satisfied that adequate quality control and manufacturing processes were in place. She wanted to ensure that the process allowed fair access to local suppliers wherever possible and the ability to have a contingency in place quickly in the event of an area of failure.

Members asked whether there should be more than one supplier across the County in order to cover any shortfall in provision and were informed that this would be dependent on the number of schools wishing to extend the existing contract as this would ultimately determine its viability.

Following some discussion, members formed the view that a third option should be specified in the consultation to schools to include other suppliers in the retender process.

#### **Resolved**

- 1 That a third option to include other suppliers is specified in the consultation;
- 2 That the wording is drafted by the Senior Procurement Officer in conjunction with the Cabinet Member for Learning, Skills and Children's Safeguarding; and,
- 3 That the consultation document is circulated to the Chairman, Vice-Chairman and Cllr Peter Wharf in the next two weeks.

#### **Reason for Decisions**

To enable to consultation with schools to be carried out efficiently and effectively and understand the preferred options for future delivery of primary school meals after the expiry of the initial contract period.

### **Budget Monitoring Report - December 2017**

- 6 The Committee considered the report which provided information on the forecast of outturn against the budget for the 2016/17 financial year based on the latest information from directorates.

Councillor Jill Haynes, the Cabinet Member for Adult Health, Care and Independence, explained that budgets had been delegated downwards to middle managers to provide greater levels of accuracy and, following a second round of performance management training, she felt confident that managers had gained the necessary insight into their budgets that had resulted in a savings plan based on reliable facts and figures.

She highlighted that although the number of people in adult social care had not increased, the packages were becoming more complex and expensive and there was

a need to challenge whether some of these should be funded by the NHS due to medical need. A new way of commissioning care with the Clinical Commissioning Group (CCG) would also be launched in November 2017 that would produce economies of scale.

Councillor Deborah Croney, as the Cabinet Member for Learning, Skills and Children's Safeguarding, stated that the work and activity to improve the financial situation had been articulated in a report to Cabinet on 18 January 2017. She described the main budgetary pressures in relation to the number of children in care and agency spend.

Members asked how the overspend in 2016/17 would be financed in order to balance the budget and were advised that money would be used from general balances and specific reserves and that there was some flexibility on the use of capital budget receipts.

The Committee considered the current situation to be extremely disturbing, and were mindful that it would not be possible to continue to fund overspending in future. They were advised that whilst the overview and scrutiny committees had considered some specific budget areas as a result of a request from the Audit and Governance Committee, at present, financial oversight predominately rested with this committee. However, more detailed budget consideration was the focus of other internal officer and member meetings, such as the Budget Strategy Task and Finish Group.

Councillor Robert Gould, Leader of the Council, stated that although the transformational work was critical, the long term solution lay in better integration between the health service and adult social care and was a general solution that could only be implemented at a national level.

Members expressed concern that the Internal Audit report had identified two areas of budget management as being of significant risk and wished to know the specific areas highlighted by this audit.

The Assistant Director (SWAP) informed the Committee that the areas highlighted in the report had not been assessed as fundamental weaknesses and that the actions picked up during the audit were being addressed and could be identified in the sample.

Members were informed that in order to address the issues identified in the audit, there had been a focus on disaggregating budgets from senior management level to a lower level in the organisation, together with the implementation of a stronger reporting and accountability framework.

The Committee asked for work to continue on detailed analysis of the budget to identify further savings and that it should also be made clear that the council would run out of money if this situation continued.

### **Noted**

#### **Report of Internal Audit Activity Plan Progress 2016/17 - Quarters 2 and 3**

7 The Committee considered a report by the Assistant Director of the South West Audit Partnership (SWAP).

Members discussed the significant audit risk in relation to the use of external advisors further to procedures previously introduced to control expenditure in this area.

The Committee was advised that there was good control in terms of maintaining the initial scope of engagement of consultants, however, the scope could develop further

in response to transformational work and attract substantial funding back into the organisation.

Whilst accepting the need to refresh guidance so that staff at lower levels of the organisation were aware of the procedures, it was felt that the auditor's statement in relation to strategic oversight of the use of external advisors at a corporate level did not reflect its consideration by the Corporate Leadership Team and Staffing Committee.

Members highlighted that the significant audit risks in relation to the Dorchester Learning Centre were very specific and that a similar level of detail in terms of the other risks would be helpful in future to provide context.

### **Resolved**

That the areas of significant audit risk are discussed further with the Chairman, Vice-Chairman and Councillor Peter Wharf to determine which areas of significant audit risk are to be considered at the meeting on 13 March 2017.

### **Progress on Matters Raised at Previous Meetings**

8 The Committee considered a report outlining the actions identified at the meetings held on 20 September and 7 December 2016. Members were advised of the following outstanding updates:-

#### **20 – External Audit Annual Report 2015/16 – follow up of prior year recommendations**

A formal update would be provided on information in relation to supporting evidence for starters and leavers to the pension fund.

#### **26 – to include councillors in any ICT security related training and awareness for staff**

The Head of ICT and Customer Services would write to all councillors signposting them to the online learning module used by staff and offering appropriate support.

### **Noted**

### **Appointing the External Auditor**

9 The Committee considered a report regarding the procurement of an external auditor.

Members noted the advantages of a single external auditor following local government reorganisation, but also that there would be benefits to retaining the existing auditor, KPMG, for a further year prior to closing the accounts on any potential new authority for the first time.

The Chief Accountant confirmed that there was scope within the procurement process with Public Sector Appointments Ltd (PSAA) to consider the continuity benefit of retaining KPMG as the external auditor in the short term.

### **Resolved**

- 1 That the content of this report and particularly the options available for the procurement of the external auditor be noted; and,
- 2 That consideration be given to retaining the existing internal auditor, KPMG, until such time as a new Authority is formed following local government reorganisation.

### **RECOMMENDED**

That the County Council be recommended to agree to:-

- 1 Opt into the sector-led auditor procurement process being led by Public Sector Audit Appointments Ltd (PSAA); and,
- 2 Delegate responsibility to the Chief Financial Officer to ensure that the County Council is active in supporting delivery of best value for money arrangements

across all Dorset Councils in light of LGR arrangements yet to be confirmed.

#### Reason for Recommendations

To enable officers of the County Council to progress arrangements for the appointment of the Authority's external auditor.

To ensure the Chief Financial Officer and his staff could work effectively with other Dorset Councils to ensure best value for money and deliver effective and efficient audit arrangements in the transition to potential new governance structures across the County.

#### **Corporate Plan: Outcomes Focused Monitoring Report**

- 10 The Committee considered the monitoring report which provided a substantial body of evidence that contributed towards the effective function of the overview and scrutiny committees, in conjunction with an online outcomes tracker.

Members welcomed the new style report and assurance over the more detailed information that was being provided to the overview and scrutiny committees to monitor their elements of the Corporate Plan. They questioned the relevance of the indicator in relation to life expectancy due to the movement of people into the area as well as the age of some of the data. They were informed that life expectancy concerned inequalities in health outcomes and that further information was contained in the commentary in the outcomes tracker. Some macro public health indicators were the most recent available, however, further work was required to encourage the release of information on a regular basis.

#### **Noted**

#### **Treasury Management Mid Year Update 2016/17**

- 11 The Committee considered the mid-year update.

In response to a question it was confirmed that the use of capital receipts to support the revenue budget would affect the council's ability to use internal balances and usable reserves to support borrowing.

#### **Noted**

#### **Information Governance - Data Protection Update**

- 12 The Committee considered a report concerning a forthcoming audit by the Information Commissioner's Officer and replacement of the Data Protection Act 1998 by EU regulation.

The Chairman drew attention to the failure with regard to subject access requests and members were advised that an additional member of staff had been employed to manage these requests. Although the situation had improved, requests in respect of Children's Services were not meeting the required standard.

Members were disappointed that the Committee had not been notified of a recent data breach and were advised that a formal process for notification of data breaches to a specific committee was not currently in place, but that annual statistics had previously been considered by the Audit and Scrutiny Committee. It was felt that information should therefore now be reported to the Audit and Governance Committee.

In response to a question, members were directed to the relevant section in the Members' Handbook explaining the process and the legal requirement for Councillors to register and make a payment of £35. It was confirmed that this would be investigated and considered for inclusion in the Member Induction Programme in May 2017.

**Resolved:**

- 1 That data in relation to subject access requests be circulated to the Committee;
- 2 That the position with regard to registration and payment of £35 for individual councillors is clarified; and,
- 3 That the process of notifying the committee of major data breaches in future is investigated.

**Statutory Officer Panel Terms of Reference (Disciplinary Investigation Process for the Chief Executive and Statutory Officers)**

- 13 The Committee considered a report regarding the Statutory Officer Panel Terms of Reference that had been considered by Staffing Committee on 22 November 2016.

A member commented that what was proposed and supported by the JNC Guidance would provide what was necessary to make system work very well.

**RECOMMENDED**

That County Council be recommended to approve the terms of reference for the Statutory Officer Panel so that the Panel comprises Independent Persons only.

**Reason for Recommendation**

The Staffing Committee dealt with issues relating to disciplinary action or capability in respect of the Chief Executive, Directors, Statutory Officers and Heads of Service. If this recommendation was accepted then Independent Persons would play an advisory role, but any decision to dismiss would still be one for the full County Council.

**Constitutional Changes**

- 14 The Committee considered a report by the Monitoring Officer which set out some suggested changes in the way in which County Council meetings were run to improve the time and quality of meetings.

Members suggested that if the minutes of committee meetings were no longer included then there should be a verbal report from the chairmen of those committees.

**RECOMMENDED**

That constitutional changes in relation to the arrangements for County Council meetings be approved as amended by the Audit and Governance Committee.

**Reason for Recommendation**

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

**Work Programme**

- 15 The Committee noted the following additions to its work programme:-

- Road map for governance arrangements in a new unitary authority – 13 March 2017
- Information Governance – policy for reporting data breaches – 13 March 2017.
- Single Person’s Council Tax Discount – 24 July 2017
- Progress report on Ironman preparations – 24 July 2017
- Post Ironman 2017 event – Autumn 2017

**Questions from County Councillors**

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