



## Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Friday, 19 January 2018

**Present:**

David Harris (Chairman)  
Clare Sutton, Cherry Brooks, Ray Bryan, Steven Lugg and Andrew Parry.

Other Members Attending:

Tony Ferrari attended as the Cabinet Member for Community and Resources.

Deborah Croney attended as the Cabinet Member for Economy, Education, Learning and Skills.

Peter Wharf attended as the Cabinet Member for Workforce.

Officers Attending: John Alexander (Senior Assurance Manager - Performance), Rupert Bamberger (Audit Manager - South West Audit Partnership), Darren Gilbert (KPMG), Jim McManus (Chief Accountant), Patrick Myers (Assistant Director - Design and Development), Peter Scarlett (Estate and Assets Manager), Mark Taylor (Group Manager - Governance and Assurance), Carl Wilcox (HR Specialist Services Lead) 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, 12 March 2018.**)

**Apologies for Absence**

1 Apologies for absence were received from Richard Biggs, Colin Jamieson and Bill Trite.

**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 20 September 2017 were confirmed and signed.

Arising from the minute 58, it was confirmed that the costs of the "Future Dorset" brochure, discussed as part of the Budget Monitoring Report, would be circulated to the Committee following the meeting.

**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.

**Update from the Chairman**

5 The Chairman updated members on a recent meeting with the Chief Executive to

discuss how the committee could add value in areas of corporate activity such as procurement and billing, ICT and human resources in light of Local Government Reorganisation (LGR). The co-ordination of scrutiny related to the Children's Services Budget was also considered.

Members suggested that the ICT service and Children's Services budget were areas that should be prioritised and a further suggestion was made in relation to staff communications. These would be reported back to the Overview and Scrutiny Management Board (OSMB) in order to co-ordinate activity and avoid duplication across the Overview and Scrutiny Committees.

The Chairman reported that he had received a request for a review of the Cabinet decision in relation to HGV routing on the A350/C13 roads. He had spoken with officers, reviewed the paperwork and actions taken before and during the Cabinet meeting and concluded that the Cabinet had been provided with the correct information and that a review of the decision would not be necessary.

The Chairman advised that he would be arranging an informal meeting with the new Chairman of the Local Enterprise Partnership (LEP) and the Chairman of the Economic Growth Overview and Scrutiny Committee. The aim would be to develop a formal scrutiny process which had been suggested by a Parliamentary Select Committee on Scrutiny in Local Government.

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

- 6 The Committee considered a report containing outstanding actions identified at the meeting on 20 September 2017.

#### SEN Transport

The revised Home to School Transport Policy was now much clearer in explaining the criteria with regard to Passenger Assistants (PAs) and the recharge for PAs identified in the high impact card was £1.4m. The majority of applications were based on distance rather than need and the proposal for a school for children with autistic spectrum conditions run by the Delta Education Trust at Bovington would help to reduce the need to transport children longer distances.

#### Scoping Document – scrutiny review of the costs of care of Looked After Children in foster or residential placements

It was confirmed that a meeting would be arranged with Councillor Biggs to review the scoping document that would be considered by the OSMB on 30 January 2018.

#### Resolved

1. That the Educational Health Care Plan (EHCP) High Impact Card is circulated at the next meeting on 12 March 2018; and
2. That the scoping document – scrutiny review of the costs of care of Looked After Children in foster or residential placements is considered by OSMB on 30 January 2018.

### **External Audit Plan 2017/18 and Technical Update**

- 7 The Committee considered a report by KPMG, the Council's external auditor.

Having regard to the recent appointment of an Official Receiver for Carillion Plc, members asked whether external audit looked at local authority contracts with the private sector. The KPMG Director advised that there was a strong focus on governance of partnerships and how large contracts were monitored with outsourced providers as part of the Value for Money audit. Some work would be undertaken to consider the impact of the Carillion insolvency in the short term to identify any immediate actions that were necessary.

Members also drew attention to the merging of pension funds across the county and it was confirmed that this would be reviewed by external auditors in the next audit year.

### **Noted**

#### **Report of Internal Audit Activity - Plan Progress 2017/18**

8 The Committee considered the regular progress report by the South West Audit Partnership (SWAP) that had a revised briefer format.

Progress with transitional work in relation to the new EU General Data Protection Regulations (GDPR) was considered. SWAP had been asked to undertake an audit to inform a programme of work to comply with the regulations which came into force in May 2018. It was confirmed that a new Data Protection Officer had commenced work on 2 January 2018 that would assist with this aim. The need for members to have awareness of the new regulations was also recognised and a series of training sessions would be arranged in future.

Members considered the audits removed from the original 2017/18 audit plan as well as those that had been substituted and were informed that these decisions were taken in liaison with the relevant Directors and, if necessary, escalated to the Chief Executive, prior to being brought to Committee. It was suggested that the rationale for removing and substituting audits was included in the report in future so that members could make an informed judgement about whether the changes were justified.

The Committee discussed the partial progress in implementing outstanding recommendations in relation to the Safer Recruitment audit, noting the previous acceptance of the risk of undertaking DBS checks as part of a management self-service responsibility. An outstanding recommendation to carry out spot checks to ensure that this system was robust was scheduled to commence from February 2018. This issue would also be brought to the attention of the Cabinet Member for Health and Care as it had been reported in the original audit report that, as part of audit testing, an employee (although not directly employed by DCC) had been found to be employed without the appropriate DBS checks having been made.

Members asked whether a formal checking process was in place for the follow up of audit recommendations, for example, if an audit received a 'Reasonable' or 'Substantial' audit opinion, but still included recommendations for improvement.

Members were advised that SWAP focussed its resources using a risk-based approach with formal follow up of audit recommendations for those audits that had received a 'Partial' or 'No' assurance opinion. As part of every audit, managers agreed to an action plan in response to audit recommendations, regardless of the assurance level and there was the expectation that all recommendations would be implemented, even those that were not subject to formal follow by SWAP. However, all audits and recommendations were recorded on the Local Authority dashboard, to provide an oversight of all areas of work to the Corporate Leadership Team.

### **Resolved**

That the Cabinet Member for Health and Care is made aware of the significant audit risk in relation to DBS checks as part of the management self-service facility.

#### **Exempt Business**

9 **Resolved**

That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for minute number 10 because it was likely that if members of the public were present, there would be a disclosure to them of exempt information as defined in the paragraphs 1 and 2 of Part 1 of Schedule 12A and the

public interest in withholding the information outweighed the public interest in disclosing that information.

### **Senior Management Roles and Responsibilities - Interim Arrangements**

10 The Committee considered an exempt report by the Chief Executive outlining some changes to the roles and responsibilities of senior managers that would result in amendments to Article 12 of the County Council's Constitution. The view of the Audit and Governance Committee was therefore required prior to a decision being made by County Council in February 2018.

Cllr Peter Wharf, as the Cabinet Member for Workforce, outlined the key issues in the report including the difficulty in recruiting senior managers for short term contracts due to Local Government Reorganisation, review of additional responsibilities through job evaluation and changes to the Chief Executive's role due to responsibilities arising from the statutory role of Director for Adult Social Services (DASS).

The Committee highlighted the need to ensure that any changes were communicated appropriately to staff and explained in the press in a balanced way.

#### **RECOMMENDED**

That Article 12 of the Council's Constitution be updated to reflect the changes outlined within the Chief Executive's Report.

*Following this item, the meeting was open to the public and press for the remainder of the meeting (minutes 11 to 17).*

### **Financial Management Report**

11 The Committee considered a report by the Chief Financial Officer that included an update on the anticipated outturn for 2017/18 and debt management information.

The Committee noted the more rigorous debt management approach and it was suggested that the increased use of direct debits, particularly in the care sector, might alleviate some of the issues. It was confirmed that debt was managed in different ways according to the customer and the approach used in the non-payment of trade waste would not necessarily be the same as that used in other areas. A request was made for some further detail of the debts of £2.018m listed as "other" in the table showing the debt position by directorate and it was confirmed that this would be circulated to the Committee following the meeting.

Members considered the Children's Services budget overspend and whether to invite the relevant budget holders to attend the next Committee meeting. However, after receiving advice on the work in progress to provide an accurate base budget following 2 years of a similar level of overspend, it was considered appropriate to challenge the Children's Services budget once a baseline budget had been established.

Noting that the Children's Services budget predictions had changed dramatically between March and May 2018 the Chairman stated that it was likely that more funding would be required for the baseline budget in future years. He confirmed that scrutiny in this area would be discussed at the OSMB to ensure that work was co-ordinated appropriately across the Council's Overview and Scrutiny Committees and minimise any impact of workload on officers.

The forthcoming consultation on negative Revenue Support Grant (RSG), the proposal for 75% Business Rates Retention (BRR) and the need to ensure that Dorset received a good outcome from the fair funding review were debated. The Chief Accountant advised that the fair funding review could be the most critical of these because of the potential to more closely align future funding with growth in adult

social care costs.

### **Noted**

#### **Property Asset Management Report**

- 12 The Committee considered a report by the Chief Financial Officer that provided an update on the performance and future use of the Council's property assets and a new procedure for the disposal of surplus properties.

Following introduction of the report, members asked about project management arrangements during refurbishment of assets and how cost and time inefficiencies were being addressed, particularly if projects were delayed. They were informed that project managers were in place to ensure that projects ran smoothly and that assets were not unduly wasted. Issues in relation to inefficiencies at the Ferndown Local Office as a result of delays in the refurbishment programme were conveyed at the meeting.

A request was made to consider special economic factors such as job location when releasing assets and to have regard to areas such as Weymouth & Portland, where there were low levels of pay and social mobility.

Clarity was given on the payment of "optimism bias" for construction contracts which was essentially a contingency fund for projects that ran over time. This money would be returned to the corporate pot as the contract progressed through certain stages and there was reassurance that there would be no overspend.

The impact on the property budget of changing the use of assets rather than disposal was discussed. The Property & Assets Manager was now able to raise these issues directly with the Chief Financial Officer and discuss them at the financial managers team meetings to address the impact of such decisions on the property budget.

The Cabinet Member for Community and Resources acknowledged that the process had not been strong in terms of the critical path from identification of an asset to its final use or disposal. A robust assessment of all of the options could only be made in conjunction with all interested organisations. Only then could a final outcome on what the social use and cost of an asset should be could be achieved, including whether selling the land and buying another asset for that use was appropriate.

Using assets to create low cost key worker housing in Dorset was also discussed and it was confirmed that the property team continued to liaise with housing providers and to provide spare land that had no alternative use.

### **Resolved**

1. That the contents of the report be noted;
2. That the principle of refreshing the current Property Asset Management Plan in 2018, pending the likely creation of a new combined authority in 2019 be supported; and
3. That a link to a list of council assets held on Dorset for You is circulated to the Committee.

#### **Treasury Management Mid Year Update 2017/18**

- 13 The Committee considered a report by the Chief Financial Officer containing the mid year review of actual performance against the Treasury Management Strategy and other updates.

The structure of the report had taken account of feedback by the Committee at its September 2017 meeting as well as meeting the requirements of the CIPFA Code of Practice.

Members heard that Capita had sold its treasury management services to Link Asset Services who would give a presentation on treasury management following the meeting. Separate briefings and a copy of the presentation slides could be provided on request for those members of the committee who were unable to attend.

### **Noted**

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

14 The Committee considered a report by the Chief Executive containing the four outcomes focussed monitoring reports in relation to Safe, Healthy, Independent and Prosperous elements of the Corporate Plan. Each of these areas fell within the remit of one of the three Overview and Scrutiny Committees and had been used as an evidence base to inform further investigation into a range of issues.

The Audit and Governance Committee had been provided with the full set of reports as part of its oversight role of the overview and scrutiny process and in order that members could determine the level of information it wished to receive in future. Officers were currently investigating the way in which improvements as a result of the Council's interventions could be captured which had proved challenging so far.

Whilst the information was very informative, members expressed concern about duplication of committee work and the need to trust that the Overview and Scrutiny Committees were doing this work and would refer matters to the Audit and Governance Committee if necessary.

Following discussion it was agreed that future reports should provide a brief summary of what the Overview and Scrutiny Committees had considered and include information on any worsening trends rather than detailed information. In this way, the Committee could seek assurance that the Overview and Scrutiny Committees were looking at the right areas, particularly with regard to deteriorating corporate risks.

### **Resolved**

That the 4 outcomes focussed monitoring reports are available in the Members' Room and shared with other Dorset authorities.

#### **Constitutional Changes**

15 The Committee considered a report by the Monitoring Officer suggesting 3 changes in relation to the Petition Scheme, Regulatory Committee membership and Pension Fund Committee membership.

The changes to the Petition Scheme were in line with that used by neighbouring county councils and retained the opportunity for the public to submit a petition from a threshold of 50 signatures.

Members discussed the size of the petition panel and it was suggested that a minimum of 3 panel members would be practical if the local member did not wish to attend and in terms of allowing a 2:1 vote on some decisions.

A membership of 10 councillors and 1 trained substitute for each political party on the Regulatory Committee, was supported. Nominations would be sought from Group Leaders in due course.

### **RECOMMENDED**

That County Council approves the following constitutional changes as amended by the Audit and Governance Committee:-

- County Council's Petition Scheme (including Petition Panels comprising a minimum of 3 members - the local member(s) should be given first choice and

the relevant cabinet member should be expected to be involved).

- Regulatory Committee Membership – 10 members (in accordance with political proportionality) plus one substitute for each political party; and
- Pension Fund Committee Membership to include a maximum of 2 Cabinet members.

Reason for Recommendation

To contribute to the County Council's Corporate Plan "Working Together for a Strong and Successful Dorset".

**Work Programme**

16 The Committee noted its workplan.

**Questions from County Councillors**

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

Meeting Duration: 10.00 am - 1.10 pm