



Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,
Dorset, DT1 1XJ on Friday, 29 June 2018

Present:

David Harris (Chairman)
Clare Sutton, Richard Biggs, Cherry Brooks and William Trite.

Members Attending:

Cllr Jon Andrews attended the meeting as an observer for the public participation item (minute 36).

Officers Attending: John Alexander (Senior Assurance Manager), Rupert Bamberger (Assistant Director - South West Audit Partnership), Jonathan Brown (Partner - KPMB), Richard Ironside (Finance Manager), Jim McManus (Chief Accountant), Alex Nash (Manager - KPMG), (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 **Thursday, 25 October 2018.**)

Apologies for Absence

33 Apologies for absence were received from Steven Lugg and Ray Bryan.

Code of Conduct

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

Minutes

35 The minutes of the meeting held on 12 March 2018 were confirmed and signed subject to the inclusion of Cllr Bill Trite as an apology for this meeting.

Public Participation

36 Public Speaking

There were three public questions received at the meeting in accordance with Standing Order 21(1). The questions and responses are attached as an annexure to these minutes.

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

Points from the Chairman

37 The Chairman reported that the issue of Local Government Reorganisation (LGR) had been recently discussed by the Overview and Scrutiny Management Board. The committee chairmen had been asked to identify areas where scrutiny of topics would be completed prior to 1 April 2019 and to identify those areas that would be passed on to either the Shadow Overview and Scrutiny Committee or the new Dorset Council.

Terms of Reference

38 The Committee received its terms of reference.

Noted

Progress on Matters Raised at Previous Meetings

39 The Committee considered a report containing outstanding actions since the last meeting on 12 March 2018 and the following matters were highlighted:-

29 - Brexit Advisory Group

Cllr Brooks advised that at the Brexit Advisory Group on 3 May 2018 a decision had been taken to disband the group in light of LGR and in the knowledge that the districts and boroughs were not focussing on this issue.

Members considered that there was a risk to the new Dorset Council of not assessing the impact of Brexit now and it was agreed that the Shadow Executive was informed and consideration given for its inclusion as part of a portfolio responsibility and associated relevant workstream.

23 - Scrutiny Review of the costs of care of Looked After Children in foster or residential placements

Cllr Biggs reported that no progress had been made with the review.

30 - Internal Audit of Equality Impact Assessments (EQiAs)

Some concern was expressed that the update indicated that the audit had been included on a reserve list. An assurance was given that this audit would be undertaken during 2018-19, as it had been specifically requested by the Committee.

Resolved

1. That the Shadow Executive is informed that, further to disbanding of the Economic Growth Overview and Scrutiny Committee's Brexit Advisory Group, that consideration be given for Brexit to be included as part of a portfolio responsibility and included in a relevant workstream.
2. That an audit of Equality Impact Assessments is undertaken as part of the internal audit programme in 2018-19.

Internal Audit Annual Opinion Report 2017-18

40 The Committee considered a report by the South West Audit Partnership (SWAP) concerning the Internal Audit Annual Report 2017-18.

Members asked about the disagreement in ownership of the accepted risk in relation to ICT contract management and it was confirmed that contract managers were responsible for the management of contracts rather than procurement officers. However, as part of the refresh of the Procurement Strategy and Policy, procurement and legal services staff had worked together to devise a contract management training programme. This should be piloted in September 2018 in order to support managers and ensure that the contract management policy was effective and pursued value for money from contractual arrangements. Contract management arrangements were regularly reported to the Corporate Leadership Team and update reports could be brought to the Audit and Governance Committee if required.

The Chairman commented that once a service had been outsourced it would not be subject to the same savings targets as those services that remained under the Council's control. This had an impact on the shape of the Council's own services and it would be useful to consider this aspect in future.

Members highlighted the failure to implement some of the high level recommendations as a cause for concern and it was explained that outstanding

recommendations in relation to significant audit risks would always be reported back to the Committee until such time as they were implemented. The Committee could invite relevant officers to meetings to provide an account if necessary.

Members debated the future activity by the Committee to assist with the outstanding recommendations in relation to use and management of the High Needs Block, budget management within Children's Services and Section 17 payments made to safeguard and promote the welfare and upbringing of children in need.

The Chairman stated that there was a need to know whether some of the elements contained in the budget assumptions were being delivered, such as the recruitment of foster carers, the recruitment of social workers and the Family Partnership Zones. He suggested that the outcomes to be reported in the Children's Services Budget Management follow up report were considered by the Chairman, Vice-Chairman and Cllr Bryan to assess whether to arrange a further meeting of the Committee to specifically look at these areas.

Members asked whether a contingency budget was set aside to account for unplanned events that had a high impact on the budget and the Chief Accountant advised that the Children's Services budget had already been based on high risk factors. However, there remained difficulties around high cost placements and reducing the numbers of Looked After Children (LAC). The organisation had some general funding and an overall contingency budget of £2.9m, but there was no specific contingency budget for Children's Services.

Members also drew attention to how savings from the closure of the 2 children's homes would be used and were particularly interested in exploring how good outcomes for children were being achieved, including getting children out of care. Mindful of the crossover with the Safeguarding Overview and Scrutiny Committee, members noted that it would be important to link the work and involve the Chairman of this Committee in discussions.

In response to a question, the SWAP Assistant Director stated that the annual opinion of reasonable assurance that had been given was a positive message and that there was a fairly consistent split of Reasonable and Partial assurance audits when compared with other organisations. The number of Partial assurance opinions given could potentially reflect that the internal audit activity was looking at the right areas of highest risk and concern.

Resolved

1. That the Chairman, Vice-Chairman and Cllr Bryan consider the outcomes in the Children's Services Budget Management follow up report when available;
2. That the Chairman, Vice-Chairman and Cllr Ray Bryan of the Audit and Governance Committee and the Chairman of the Safeguarding Overview and Scrutiny Committee meet with the Interim Director of Children's Services to discuss the position and undertake a scoping exercise.
3. That the scoping exercise includes the scoping document for the Scrutiny Review of Looked after Children in foster or residential placements; and
4. That, following discussion with the Interim Director of Children's Services, a joint activity (informal or formal) of the Audit and Governance and Safeguarding Overview and Scrutiny Committees is arranged in early September 2018.
5. That the Committee liaise with the Interim Director of Children's Services in relation to the risks accepted as part of the Section 17 payments review.

Report of Internal Audit Activity Plan Progress 2018/19 - June 2018

41 The Committee considered a report by the South West Audit Partnership (SWAP) concerning the audit plan progress in 2018-19.

The Committee discussed the significant audit risk in relation to the council's current arrangements for oversight of the Governance Framework for Tricuro and sought reassurance that the correct procedures were being followed and that appropriate contract management was in place.

The Chairman explained that he had recently become a member of the Tricuro Shareholder's Group and that he would pursue the concerns expressed by the Committee and look at whether the Audit and Governance Committee was looking at Tricuro effectively and receiving the necessary assurances.

Noted

Statement of Accounts and Outturn 2017-18

42 The Committee received a presentation by the Chief Accountant on the Financial Statements 2017-18 prior to consideration of the report.

The accounts had been certified on 30 April 2018, the Council being one of the early adopters of the 2015 regulations and one month faster than the statutory deadline of 31 May 2018.

Members highlighted the cumulative £8.7m overspend in relation to the High Needs Block of the Dedicated Schools Grant and the ability of schools already in difficulty to assist in closing this gap in future and the lack of funding to support the legislative changes in respect of Education and Health Care Plans (EHCPs).

It was confirmed that the debt in relation to Budmouth College, which was of significant local concern, was not the same debt linked to the development of the sports centre.

The Committee sought reassurance from the external auditor, KPMG following its audit of the financial statements and were assured that there had been no audit adjustments and some minor recommendations to be picked up going forward.

Resolved

That the Statement of Accounts for the year ended 31 March 2018 be approved and the accounts and associated paperwork be signed by the Chairman.

Reason for Decision

Under the Accounts and Audit (England) Regulations 2015, the Statement of Accounts and Annual Governance Statement must be approved by the Council, or a Committee to which the Council has delegated authority by 31 July 2018.

External Audit Report 2017-18

43 The Committee considered a report by KPMG, the Council's external auditors which set out the key findings in relation to the 2017-18 external audit.

The external audit had been completed in June 2018 and an unqualified audit opinion on the financial statements was anticipated before 31 July 2018, subject to the outstanding queries being resolved.

Members drew attention to a general comment in the report about the opportunity for savings presented by LGR. They noted that if transformation work continued rather than simply joining the councils together then there would be an opportunity to identify areas of synergy where further savings could be made.

Members questioned how the conclusion had been reached regarding the significant value for money risk in relation to the Children's Services overspend of £6.7m. The external auditor advised that the audit was satisfied that adequate arrangements were

in place to reduce the overspend and deliver a balanced position in future as well as delivering quality at the right price.

The Chairman highlighted that reductions in the budget continuously challenged the delivery of a quality service. He noted that the social care precept had enabled the Adult & Community Services budget to be increased and there had been previous requests to increase the Children's Services budget.

The Chief Accountant confirmed that the plans that had been put in place were not going as well as expected although some work had been completed with transitional funding arrangements, as approved by Cabinet. Although the external auditor had recognised that there was a process and governance in place to deliver a balanced budget, performance management was a separate area for management and the Audit & Governance Committee to consider as part of its own review of the Council's performance during the year.

Noted

Financial Management Report

44 The Committee considered a report by the Chief Financial Officer that provided an early update on budget management for 2018-19, performance information on debt management and supplier payments for 2017-18.

The Chief Accountant highlighted the £3.7m forecast overspend for 2018-19 and Children's and Adult and Community Services as particular areas of concern, the reasons for which had been outlined in the report.

The trade debt at 31 March 2018 was £6.5m, a significant improvement on position last year, largely due to improved information and the proactive approach and early actions taken by officers responsible for the debt. The most complex debt remained within Adult and Community Services and continued to have best potential for improvement.

The Chairman requested an update on the savings proposals considered by the Organisation Transformation Board (OTB) at its meeting on 27 June 2018.

The Committee was advised that the OTB had considered the directorate savings options for 2019-20. The final figures could not yet be circulated as more deliberation was required on risk.

Members expressed concern that proposals were being based on cost savings rather than transformation and that more narrative was required alongside savings figures in order to provide further explanation to Members.

Noted

Monitoring Corporate Plan Outcomes: Summary of Issues being Addressed by the Overview and Scrutiny Committees - July 2018

45 The Committee considered a report by the Chief Executive that contained the likely areas of focus for the three overview and scrutiny committees in July 2018 that were outlined in some detail by the Senior Assurance Manager.

Members asked about the timeliness of the statistical information in relation to road safety and also noted that the performance measures relating to Child Protection were inconsistent with the payment of Section 17 payments.

Noted

Work Programme

46 The Committee received its workplan and agreed the following:-

- That the meeting scheduled on 25 July 2018 would be cancelled and the two reports due for consideration on this date circulated to the Committee for information; and
- That, following discussion with the Interim Director of Children's Services, that an additional meeting may be required in September 2018 that focussed on Children's Services outcomes and budgets.

Resolved

That the work programme be amended accordingly.

Questions from County Councillors

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

Meeting Duration: 10.00 am - 12.40 pm