



## Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Thursday, 25 October 2018

**Present:**

David Harris (Chairman)  
Clare Sutton, Richard Biggs, Cherry Brooks and Ray Bryan.

Members Attending:

Councillor Peter Wharf, Cabinet Member for Workforce.

Officers Attending: Rupert Bamberger (Assistant Director - South West Audit Partnership), David Bonner (Intelligence, Insight and Performance Manager), Laura Cornette (Corporate Policy and Performance Officer), Christopher Matthews (Service Manager - HR Operations), Jim McManus (Chief Accountant), Mark Taylor (Group Manager - Governance and Assurance), David Wilkes (Senior Finance Manager - Treasury and Investments), Kirsty Snow (Senior Communications Officer), Sally White (Principal Auditor - South West Audit Partnership) 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, 21 January 2019.**)

**Apologies for Absence**

48 Apologies for absence were received from Colin Jamieson and Bill Trite.

**Code of Conduct**

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

**Minutes**

50 The minutes of the meeting held on 29 June 2018 were confirmed and signed.

**Public Participation**

51 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.

**Points from the Chairman**

52 The Chairman reported that preparatory work agreed via the Overview and Scrutiny Management Board (OSMB) looking at aspects of Children's Services was well underway. Further to the agreement of the scoping document, he was currently looking at the structure of the Inquiry Day which would take place on 15 January 2019. The Panel would be comprised of the Chairmen of the Overview and Scrutiny Committees.

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

- 53 The Committee considered a report containing outstanding actions since the last meeting on 29 June 2018.

### **Noted**

## **Annual Audit Letter 2017-18**

- 54 The Committee considered the Annual Audit Letter 2017-19 by the Council's external auditors, KPMG.

The Chairman asked about the £7.4m adjustment in respect of PPE.

The Chief Accountant advised that asset valuations had been undertaken in accordance with the same policy since 2010. However, in light of the auditor's recommendation, valuations would be carried out with an effective date of 30 September rather than on 1 April in future.

### **Noted**

## **Report of Internal Audit Activity - Plan Progress 2018-19**

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

The report was introduced by the SWAP Assistant Director. A key part of this latest update report related to Disclosure and Barring Service (DBS) checking where an audit opinion of "no assurance" had been given. The full audit report had been included as an appendix to the report. The Service Manager - HR Operations was also present at the meeting to explain the actions being taken to mitigate the areas that had been highlighted in the audit report.

However, to ensure appropriate coverage, the Committee agreed to initially focus on the other key issues contained in the SWAP quarterly report, before returning to a fuller discussion on DBS.

The SWAP Assistant Director reported on the proposed removal of 2 audits by the Interim Director of Children's Services relating to Children's Social Care Caseload Management and Readiness for Ofsted Inspection.

Members were concerned that significant audits that had been removed from the audit plan and other items added involving more minor matters. They sought reassurance from SWAP that audits were not being focussed away from the higher risk issues.

It was confirmed that SWAP responded to reactionary work throughout the year in order to address emerging issues (e.g. combat fraudulent activity). However, in such situations, these were reported by SWAP to the Committee to allow for an appropriate level of challenge and, where appropriate, to ensure a continuing dialogue with the relevant Director.

Following an explanation of the reasons for the removal of the 2 audits, it was agreed that a report on the Children's Social Care Caseload Management would be requested from the Interim Director of Children's Services and circulated to the Committee who could then decide whether they wished to take the matter further.

The SWAP Assistant Director was asked whether he was satisfied that the scrutiny that had already taken place in relation to the Ofsted Inspection had been effective. He confirmed that as this audit had only recently been requested to be removed, he had not yet received that assurance.

Turning his attention to the latest update on the audit of Dorset County Council's (DCC) oversight of Tricuro Governance Arrangements, the Chairman reported that following discussion at the last meeting of the Committee, his enquiries had resulted in agreement that the People and Communities Overview and Scrutiny Committee would now receive an annual report from council officers about Tricuro.

Members asked whether the Council had ever received copies of the minutes of the Tricuro Audit, Governance and Risk Committee and it was confirmed that the Council had never received minutes of this meeting. However, the details within this was considered to be a company issue and DCC needed to be assured and focussed in respect of the overall governance arrangements and confident in the effectiveness of its own contract monitoring arrangements. It was confirmed that monthly monitoring reports were, however, being received by the Council.

Members recalled that this issue had been under discussion by the Committee for some time, and the SWAP Assistant Director confirmed since January 2018. Routine formal follow-up of the actions remained on the audit schedule as these had not been implemented. In May / June 2018 the Interim Commissioning Strategic Lead for Adults and Community Services had indicated that a broader review had prevented the implementation of some of the actions. The Committee was eager to ensure a satisfactory conclusion was brought to the outstanding issues and that the necessary assurance could be provided on appropriate oversight of the arrangements by the Council. The SWAP Assistant Director noted that this would now be escalated to the Director of Adult & Community Services.

Members then asked about the audit work in relation to the governance of the Shaping Dorset Programme, seeking assurance on the ongoing issues. The SWAP Assistant Director advised that hyperlinks to the specific audit reports had been included in the report. He reported on the fast pace of the LGR Programme that required quick reporting by SWAP and that it was therefore difficult to pinpoint the key issues that required addressing as these would change between the pieces of assurance work. The audit reports were considered by the Shadow Executive and Shadow Overview and Scrutiny Committee and this also involved 'gateway review work' to provide a check on the key milestones.

During the discussion members highlighted that although the overall pace of the programme was very quick, there remained some areas of concern that had not progressed fast enough, and these were subject to oversight by the Shadow Council to ensure activity and improvement.

The Committee considered the DBS audit report in some detail and the SWAP Assistant Director stated that robust management responses and proposed actions had been given to mitigate the risks identified, if implemented, however, there remained uncertainty in relation to DBS checks for volunteers that had been risk accepted by the authority. The Corporate Leadership Team (CLT) had reviewed the report in full and requested updates at each of its meetings until implementation of the necessary actions had been signed off.

The Cabinet Member - Workforce welcomed the report and explained that DBS checks formed part of general managerial duties for staff commencing employment and also as part of the regular Personal Development Review process. A previous audit had awarded a partial assurance due to insufficient data analysis and capture. The subsequent officer development work to improve the process to capture this data had then led to the "no assurance" opinion as issues came to light. It was now considered vital that the action plan was robust to fully resolve these issues.

Officers confirmed the guidance for managers had been updated and improved and

was accompanied by appropriate training. CLT had considered the costs to support the necessary changes and had agreed the required funding levels. The Interim Director of Children's Services was keen to let the Committee know that Children's Services Directorate were 100% compliant for DBS checks. The risk in relation to volunteers had been carefully considered and was accepted, provided that there was assurance that updated guidance to managers had been issued and a register of volunteers was in place and available for scrutiny at any time.

The Service Manager - HR Operations stated that the SWAP report complemented work that was already taking place. Following the first audit 2 years ago officers had worked hard to improve the way in which data was collected and the SWAP report had been helpful in highlighting areas of further improvement.

Members expressed concern that the existing system was not sufficiently robust and that there was a risk that those managers who did not complete the checking process could pose a significant risk to the authority. The view was expressed that this role should be undertaken centrally in the same way as other organisations.

Members heard that although HR had an administrative role to process the applications and hold a central record once clearance was received, that DBS checking was completed by the manager as part of the recruitment process and through regular staff development review processes. Some changes had been made in HR to increase support and align DBS administration to the HR support roles for particular areas of the business. A risk assessment was undertaken for those people who commenced employment without DBS clearance in place. The audit report had highlighted 4 instances where a person had been employed without a DBS check, however, assurances were given by the Service Manager - HR Operations that they had not been deployed fully in the role in terms of any regulated activity.

The Vice-Chairman drew attention to occasions outlined in the report where these processes had clearly failed. She stated that it was important not to lose sight of this when the Committee was being told that there were adequate processes in place. It was important to recognise staff capacity as well as cost in fully resolving the issues.

The Cabinet Member for Workforce took on board the concerns and advised that CLT were clear that this was a priority in terms of capacity as well as cost. The decision to accept the risk in relation to volunteers had not been taken lightly, however, he wanted to take the opportunity to look at this again, based on the discussions and concerns that had been raised by the Committee.

The Chairman commented that the processes in place were dependent on a large number of managers understanding the complexity of the system and he invited the Cabinet Member for Workforce to attend the next meeting in January to report on activity and progress.

Members highlighted that there remained some ambiguity with the role of HR and that gaps in the procedures could potentially be exploited by predatory individuals, including those in voluntary roles.

The Service Manager - HR Operations stated that there were strict criteria to determine when a DBS check was necessary, particularly with regard to an enhanced check for regulated activity where roles involved unsupervised access to vulnerable adults and children. He confirmed that basic DBS checks were undertaken for employees who had access to sensitive information in IT systems. The DBS body was also clamping down on situations where organisations had implemented a process of 'overchecking'.

The Chairman highlighted the need for the Committee to be reassured that those

working in "at risk" areas could be identified and appropriate checks undertaken.

### **Resolved**

1. That a report is provided by the Interim Director of Children's Services concerning the removal of audits in relation to Children's Social Care Caseload Management and Readiness for Ofsted Inspection in order that the Committee can decide whether to take the issues further;
2. That the above audits be referred to the Chairman of the Safeguarding Overview and Scrutiny Committee;
3. That the Committee makes contact with the Cabinet Member for Health and Care to seek assurance that appropriate overall governance arrangements and contract management and monitoring procedures are in place with regard to Tricuro; and
4. That the Cabinet Member - Workforce provides an update on DBS checks at the next meeting in January 2019.

### **Financial Management Report**

56 The Committee considered a report by the Chief Financial Officer that provided an update on budget management and financial performance for 2018-19.

The Chief Accountant reported a £2.7m predicted overspend due to the same general causes of the variances outlined in the report, but principally around Children's Services provision.

The County Council's Section 151 Officer had presented a mid-year financial management update at a Budget Working Group that week setting out that the County Council would do the utmost to come in on budget in 2018-19.

The debt picture was generally improving and the SWAP audit work had been supportive of the objectives being established for the team being assimilated into Financial Services from Adult & Community Services. The reorganisation of this team as part of the integration into Financial Services had also resulted in savings in staff costs and a clearer focus on staff roles.

Members asked about the pressure on the High Needs Block (HNB) due to the rise in the numbers of Education, Health Care Plans (EHCPs). It was confirmed that councils could not ration or deny the requirements established in an EHCP despite the fact that this might cause potential conflict with councils' requirements to set a balanced budget.

The Vice-Chairman stated that schools in Weymouth & Portland were not doing well and she asked whether this could be a result of the lack of adequate provision in school for children with greater needs.

The Chief Accountant responded from a financial perspective and confirmed that the growth in resources was not commensurate with the growth in the level of challenge around outcomes. In addition, investment to create places in special schools had been absorbed by new demand, however, Dorset was far from being alone in this regard.

Members discussed the overspend at some length, in particular clarifying that the £3.6m forecast overspend in the Children's Services Directorate was in addition to the overspend on the High Needs Block of the Dedicated Schools Grant (DSG).

Members were informed that work was continuing with the Schools Forum to tackle complex budget and demand issues. There was also a high national profile around the DSG. Dorset had seen around a 60% growth in EHCPs since 2014 alongside 5% additional funding from government.

Members drew attention to the loss of the ability to control costs of independent carers in the context of shutting 2 of the 3 local authority children's homes. The view was expressed that closure of the homes had been a missed opportunity to work in partnership rather than being tied to independent providers. An update on the campaign for in-house foster carers was requested and it was reported that 56 foster carers were in the process of being recruited, but that not all of the cost savings could be achieved in the current financial year.

The Chairman highlighted the use of personalised budgets for transport costs, stating that the best interests of the child should be at the centre of the EHCP. The Chief Accountant acknowledged that the aim would be to provide a balance of cost and the needs of the child.

Members asked about late payments by debtors and it was noted that this could sometimes relate to people who were vulnerable or dying.

The Council was getting better at sending out invoices, however, there was always scope for improvement such as the use of online services by some elderly residents.

A final point was raised in relation to the Dorset Waste Partnership following the decision made by China to stop the importation of recyclate and whether the provision of a UK based solution involving substantial funding for a recycling facility would be required and therefore be considered in the short term.

#### **Resolved**

1. That the presentation to the Budget Working Group concerning the DSG and HNB is circulated to the Committee; and
2. That an update on the progress made of the impact on the budget through the provision of in house foster carers is included in the Financial Management report in January 2019.

#### **Treasury Management and Prudential Code Review 2017/18**

57 The Committee considered a report by the Chief Financial Officer which outlined the year end review of actual performance against the Treasury Management Strategy and update on other factors including economic background, impact on interest rates, performance against the annual investment strategy, new borrowing, debt rescheduling and compliance with the Prudential Code.

In response to questions it was confirmed that the total interest payment for the year was £7.5m, that the Council was currently £80m under borrowed and that £45m of funds were due to mature in the short term.

The Council was committed to borrowing £20m in November 2019 from a pension fund, however, this would not significantly change the look of the combined balance sheet for the new Dorset Council.

The Chairman commented that it would be useful to have graphical information in relation to the long-term trends to better understand the report.

Members were informed that the information was presented in a certain way in accordance with the Cipfa Code, however, officers had provided a summary of the main points and would look at presenting the information in graphical form.

A member commented that underborrowing was not a positive situation and that the level of interest being paid on existing borrowing was of grave concern, particularly going into the new Dorset Council. Borrowing would need better control going forward.

The Senior Finance Manager (Treasury & Investments) advised that the borrowing requirement was driven by the unfinanced capital programme. Opportunities to reduce borrowing costs through refinancing did exist but were limited as premiums for exiting borrowing arrangements must recompense the lender. Also, reducing the amount of Minimum Revenue Provision increased the time over which you could get the borrowing requirement down.

The Chairman advised that the Audit and Scrutiny Committee had looked at this quite seriously previously and had instigated a cap on the borrowing requirement. The Shadow Executive Committee would determine the policy for the new Dorset Council.

In summary, members were interested in exploring opportunities to repay some of that debt, providing options and choices about how this could be structured and investigated in future.

### **Noted**

#### **External Funding Monitoring Report 2018**

58 The Committee considered a report that provided an overview of external funding bidding activity during 2017-18.

The report was introduced by the Corporate Policy & Performance Officer who advised that since writing the report, an outstanding bid of £1.9m from the Heritage Lottery Fund included in the report had been secured.

The Vice-Chairman asked whether any benchmarking had been undertaken to see how Dorset performed against other local authorities and whether there was any prioritisation of bids in terms of allocation of resources to areas of greatest need. Members were also interested in the authorisation approval process for special projects outlined in the report.

Members were advised of the thresholds, but concern was expressed at the lack of opportunity for scrutiny and accountability beyond the Leader and the Chief Executive for the Special Projects Fund of £155k as well as a lack of process in place to prioritise bids.

The Corporate Policy and Performance Officer explained the process on receipt of a bid that included requesting details of match funders and a report linking the bid to one of the Council's corporate objectives. Local members were also notified prior to the bid being assessed by the Leader and Chief Executive between £20k and £500k. Bids were sometimes reduced during the assessment process. The process was dependent on bidders being proactive in contacting her and areas such as Dorchester and Purbeck had done very well and had reached saturation point.

Members considered that oversight and assurance was needed to ensure that there was a balance of grants being given across the region. Although £500k was the threshold in terms of a key decision as specified in the Council's Constitution, they were unsure whether this was fit for purpose in this instance.

The Corporate Policy & Performance Officer responded that all policies were currently being reviewed and that the County Council policy could be changed and brought in line with other councils during the transition to the Dorset Council.

Members asked about the risk to projects that had recently been granted EU funding if this was not spent in a fixed amount of time given Brexit.

Members were advised that a response would be sought from the EU funding officer.

### **Resolved**

1. That a progress report is considered at the meeting in January 2019;
2. That an update is provided on money received from Dorset LEP compared with other areas.

### **Monitoring Corporate Plan Outcomes: Summary of Issues being addressed by the Overview and Scrutiny Committees, October 2018**

59 The Committee considered a report containing a summary of the approaches taken by the Overview and Scrutiny Committees to address issues relating to the Corporate Plan delivery.

Following introduction of the report, the Vice-Chairman highlighted that 2 of the overview and scrutiny committees were duplicating work in terms of looking at attendance at schools and it was confirmed that this was an overlapping metric that would be investigated. She conveyed her personal view that from an audit and governance perspective, these issues could not be resolved in terms of the existing committee structure.

The Chairman highlighted that there was further work to be done in getting more joined up activity and provided examples of where improvements could be made.

The Intelligence, Insight and Performance Manager advised that his newly formed department had been brought together in 3 months, hoped to shine a light on these issues and have visibility across the piece. Work was also taking place on linking value for money to some of the outcomes.

### **Noted**

#### **Work Programme**

60 The Committee received its workplan and noted the following:-

- Update by SWAP and the Cabinet Member for Workforce regarding DBS checks.
- Update on the Inquiry Day (January 19) with any necessary budget adjustments to be fed into the Shadow Council budget meeting on 29 February 2019.
- The Internal Audit Plan 2019-20 to be considered in March 19 would be forwarded to the Shadow Executive for approval.
- The suggestion made to invite officers from Cotswold Council Counter Fraud and Investigation Services, who had given a good presentation at a recent SWAP event.

#### **Questions from County Councillors**

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

Meeting Duration: 10.00 am - 12.30 pm