

Audit and Scrutiny Committee

Minutes of a meeting held at County Hall
Colliton Park, Dorchester on 17 September 2013.

Present:-

Trevor Jones (Chairman)
Mike Byatt (Vice-Chairman)
Andrew Cattaway, Lesley Dedman, David Harris and Peter Wharf.

Officers:

Mark Taylor (Head of Internal Audit, Insurance and Risk Management) and Helen Whitby (Principal Democratic Services Officer).

The Following officers attended for certain items, as appropriate:

Marc Eyre (Corporate Risk Officer), Mark Fortune (Strategy Officer), Paul Kent (Director for Corporate Services), Peter Illsley (Head of Corporate Finance), Richard Pascoe (Head of ICT and Business Transformation), Matthew Piles (Group Manager) and Mike Winter (Head of Dorset Highways Management).

Harry Mears (KPMG Associate Partner) and John Oldroyd (KPMG Audit Manager) also attended.

(Note: 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 Audit and Scrutiny Committee to be held on **17 October 2013**.)

Apology

174. Apologies for absence were received from Deborah Croney and Ian Gardner.

Code of Conduct

175. There were no declarations by members of any personal or prejudicial interests under the Code of Conduct.

Minutes

176. The minutes of the meeting held on 23 July 2013 were confirmed and signed.

Matters Arising

Minute 166.3 – Asset Management and Capital Programme

177.1 With regard to how the Programme was being monitored, it was explained that this was done through corporate performance information provided for the Cabinet and the Audit and Scrutiny Committee, by the Corporate Management Team and the Asset Management Group. Initial disposals had taken place, the service planning review would identify further assets which were surplus to requirements and the pace of disposals should increase.

Minute 166.6 – Asset Management and Capital Programme

177.2 The matter of members being identified within the minutes was raised, and it was suggested that this issue might best be addressed by Group Leaders.

177.3 The need for local members to be involved at an early stage when assets in their electoral divisions were identified for disposal was highlighted. The Director for Corporate Resources recognised that early involvement of local members had been an on-going issue for some time but was currently being addressed.

Progress on Matters raised at Previous Meetings

178.1 The Committee considered a report by the Director for Corporate Resources which updated members of progress made following discussions at previous meetings.

Minute 148.5 – Debt Recovery

178.2 It was reported that information requested about the accreditation of agencies used to recover debt had not been provided.

Minute 167 – Academies, Repairs and Maintenance

178.3 The Chairman remained concerned about capital expenditure on schools who later became academies and the financial consequences this might have for the County Council. The Director for Corporate Resources explained that the Cabinet had considered a report last year which set out a clear protocol for investment in schools which might later become academies.

178.4 The Government's encouragement for schools to become academies was noted and some instances were cited where school projects had been delayed because of them. Members recognised that the education of children was paramount and suggested that the Cabinet prioritise schools who were not planning to change to an academy when capital allocations were made. As there was concern about the effect of asset disposals on the County Council's balance sheet, the Committee asked to scrutinise the current protocol.

Resolved

179. That the Committee scrutinise the protocol for investment in schools which might later become academies.

Report to those charged with Governance (ISA 260) 2012/13

180.1 The Committee considered a report from KPMG which set out key issues identified during their audit of the County Council's financial statements for the year ended 31 March 2013 and their assessment of arrangements to secure value for money in the use of resources.

180.2 Members noted that the audit had identified three audit adjustments totalling £0.1M. Only one of these had been adjusted, the other two not having a material effect on the financial statements, and KPMG had issued an unqualified audit opinion. An unqualified audit opinion had also been issued with regard to the County Council's arrangements to secure value for money in the use of resources. Attention was drawn to the four key audit risk areas (back pay provision, academies, accruals and code update).

180.3 The Committee noted that guidance issued by CIPFA was followed when schools were changing from Council control to academy status. Concern was expressed about capital spent on schools who later went academy and the liability this might leave for the County Council when the asset was removed from the balance sheet. The KPMG Associate Partner confirmed that officers were following the accounting code and the Director for Corporate Resources confirmed that any debts against such schools remained the County Council's responsibility on transfer.

180.4 Particular attention was drawn to the audit undertaken by the South West Audit Partnership (SWAP) which identified deficiencies in ICT controls and recommendations to address these. These had been accepted by officers and would be implemented. The Head of ICT and Business Transformation explained that the Internal Audit Report included thirty recommendations and provided partial assurance. The findings of the previous year had been more significant than the current year's. All major changes to ICT followed normal change controls but the findings related to how small changes were

managed. The system had been modified so that the right level of control was in place which did not hamper the ability of staff to carry out their work.

180.5 The Head of Internal Audit, Insurance and Risk Management drew attention to the fact that of the five areas audited, three (systems development, operations and data systems recovery) had received a reasonable assurance, but there were concerns for the areas of change management and access control. The areas of ICT weakness identified had been addressed. Further details of the audit would be contained in the Internal Audit quarterly report to be considered at the Committee's October 2013 meeting.

180.6 The Chairman referred to the fact that concerns about core financial system IT controls had been raised the previous year when an assessment of "1" had been achieved. The situation had improved this year as an assessment of "2" had been achieved but some concerns remained. He expressed the view that every effort should be made to improve the current situation so that this issue was not reported as a concern for the following year, with the object of achieving an assessment of "3" in 2014.

Resolved

181. That the report be noted.

Developing our Approach to Risk Management

182.1 Following consideration of a report by the Director for Corporate Resources on 23 July 2013, the Committee considered a further report by the Director which set out how the escalation and challenge to risks would be affected by the revised procedures and how the approach would help the Council's ambition to become less risk averse.

182.2 The Director for Corporate Resources explained that the County Council had a good track record for risk management which had led to positive external recognition and lower insurance premiums. With the current climate of reducing resources and process, restructuring, the need for greater agility and the need to live within the budget, the need for embedded risk management would need to remain a key focus for the organisation. Committee reports now included an assessment of risk and mitigation to ensure that decision making was appropriately informed. Attention was drawn to the fact that although the recent Peer Review had emphasised the need for the County Council not to be risk averse there were examples of high risk projects which the County Council had undertaken. These illustrated that the Council was not necessarily risk averse.

182.3 The Corporate Risk Officer presented the report drawing attention to the escalation channels that currently existed set out at paragraph 2.2 and the proposed indicators for monitoring the County Council's ambition for risk taking in paragraph 3.2 to inform the authority's risk tolerance which would be monitored by the Risk Management Group and reported to the County Management Team and the Committee.

182.4 During the discussion it was noted that in the current changing financial climate there would be greater emphasis on partnership working and the County Council would have to work differently to achieve its aims and objectives within budget and this would involve taking more risks. This meant that it was even more important for all significant risks and consequences attached to proposed actions across the organisation to be identified prior to decisions being taken. The need for more member involvement in identifying and challenging risks was highlighted and the suggestion made that a more independent member be identified to undertake the role of Member Champion for Risk. In response the Director for Corporate Resources drew attention to current mechanisms in place to deal with risk and hoped that lessons had been learned from previous projects where problems had arisen because an unidentified risk had occurred. He agreed with members' greater involvement but drew attention to the fact that delays may occur if this was

too early in the process. The Head of Internal Audit, Insurance and Risk Management hoped the new measures would mean that decision-making was more transparent and that wider consideration was given to the risks associated with proposed actions.

182.5 The Chairman reported that the Leader had been invited to attend to the meeting as Member Champion for Risk, but had been unable to do so. However, he had offered to meet with the Chairman outside of the meeting to discuss risk issues.

182.6 There was some discussion about the opportunities elected members currently had to influence and challenge decisions and member representation on some projects, challenge groups and boards. With regard to whether members of the Committee could observe meetings of the Corporate Management Team and Directorate Management Teams it was explained that this would be a matter for the Chief Executive to consider and the Committee agreed not to pursue this further at this time. Members could attend meetings of the Risk Management Group and officers were asked to compile a list of dates so that members could indicate which meeting they wished to observe.

182.7 The Chairman suggested that time be given for the steps taken to address risk issues to take effect and the matter be considered again early in the New Year.

Resolved

183.1 That the current risk management mechanisms operated be noted.

183.2 That members be given the opportunity to observe meetings of the Risk Management Group.

183.3 That a further report be provided for consideration in the New Year.

Non-Directly Employed contract Workforce – Quarter 1 2013/14

184.1 The Committee considered a report by the Director for Corporate Resource which set out expenditure on agency staff, consultancy and other non-agency workers for the first quarter of 2013/14. The report was to be considered by the Staffing Committee on 3 October 2013.

184.2 Expenditure on agency staff was at a similar level to the previous three quarters, whilst expenditure on consultancy and other non-agency workers was a little below the average for the previous year although higher than the first quarter of that year. The report also provided commentaries from Business Managers which identified main issues affecting expenditure and steps taken to manage and reduce it.

184.3 In response to questions about zero hours staff, the Head of Corporate Finance confirmed that numbers of these staff were included in the report on established staff for the Staffing Committee and that changes to legislation relating to them might increase costs for the County Council or put services at risk of non-availability of staff.

184.4 With regard to why the cost of consultancy and self-employed workers had substantially increased during quarters 2, 3 and 4 for 2012/13 within the Environment Directorate, the Head of Corporate Finance referred to the explanation contained in the previous quarter's report, which included work undertaken on the Beaminster Tunnel.

Noted

Action Plan arising from post-project review of delivery of the “Weymouth Showcase” Scheme

185.1 Further to a report by the Director for Environment considered at the meeting on 23 July 2013, the Committee considered a further report by the Director on the action

plan arising from the post-project review of the delivery of the “Weymouth Showcase” Scheme.

185.2 The Head of Dorset Highways Management explained that the Director was on annual leave and unable to attend the meeting. He then presented the report drawing attention to the aims of the intelligent traffic scheme, usual processes for project management and how and why these differed from the management of the Real Time Passenger Information (RTPI) project. There had been some problems with the equipment procured for the RTPI Scheme which had led to modifications and insufficient time allowed for delivery and there were on-going problems with bus operators and their cooperation. The overall Weymouth Showcase Scheme had a total allocation of £5.05M, £4.75M having been provided by the Department for Transport and £300,000 through the Local Transport Plan. Of this, £113,000 remained unspent although the project was complete. The cost of the RTPI Scheme was £3.6M.

185.3 The Chairman was concerned about the situation and wanted to establish why the scheme which was to have been working in August 2012 was still not working. The Head of Dorset Highways Management explained that the system could not work unless the necessary equipment was fitted on buses. The bus companies were refusing to fund the installation of this equipment which meant that either the County Council had to bear this cost or wait for the bus companies to do so.

185.4 The Committee expressed disappointment that neither the Director nor the Cabinet Member had been able to attend meetings where this matter had been considered and asked the Chairman to write to them to express this and invite them to the next meeting when the matter would be reconsidered.

185.5 The Head of Dorset Highways Management drew attention to the fact that the identified Project Manager appeared to have had great technical expertise but little project management experience. The Group Manager added that RTPI was a new area of work for the Council and the country as a whole. Attention was also drawn to the pressure placed on the Council by the delayed allocation of Department for Transport funding to deliver the Olympics and the need to undertake 20 years of road works in an 18 month period. The Group Manager added that the RTPI scheme had been hampered by the bus companies who changed bus routes, moved fleet vehicles with the equipment out of the area without transferring it to remaining buses in the area and without informing the County Council and did not play a full part in the partnership arrangements. He informed the Committee that he had a meeting with the bus companies later that day to inform them that no additional public money would be provided to address problems caused by them. The public's perception was that the scheme did not work, however, the infrastructure was in place and it would work if the necessary equipment was installed on buses in the area. Members asked for a summary of the situation and on the meeting with bus operators so that they could respond to questions from members of the public.

185.6 With regard to the three actions set out in the report, it was suggested that they be shared as lessons learned with the Corporate Management Team as there were implications for the whole organisation especially given the increasing level of partnership working.

185.7 The Chairman summarised how the RTPI scheme should operate and how and why it was operating currently. He considered it unacceptable for £3.6M of public money to be spent on a system which was of little help to the public. The Group Manager stated that he would bring concerns to the attention of the bus companies when he met with them later that day.

185.8 The Chairman asked that the Internal Auditors work with the Directorate to review the situation and provide a summary of key factors for consideration at the Committee's next meeting so that recommendations and lessons learned could be made to the Cabinet.

Resolved

186.1 That the Action Plan be noted.

186.2 That the Chairman write to the Cabinet Member for Environment and the Director for Environment as set out in minute 185.4 above.

186.3 The officers provide a brief summary for members of the key issues, including the outcome of the meeting with bus operators being held on 17 September 2013.

186.4 That the Internal Auditors be asked to work with the Directorate to review the situation and provide a summary of key factors for consideration by the Committee at their next meeting on 17 October 2013.

Highway Asset Management Plan

187.1 The Committee considered a report by the Director for Environment which set out progress made in the development of the Highway Asset Management Plan (HAMP). A similar report would be considered by the Environment Overview Committee at their meeting on 1 October 2013. The Committee had considered Volume One of the HAMP at their meeting on 18 September 2012.

187.2 Work on Volume 2 was underway and would be in line with recent guidelines issued by the Highways Maintenance Efficiency Programme in May 2013, whilst Volume 1 would need to be reviewed in the light of this guidance. It was hoped that the fact that Volume 2 took into account the latest guidance would stand the County Council in good stead when future funding was allocated.

187.3 The Head of Dorset Highways Management briefly outlined the report. The HAMP would provide the opportunity for capital spend to provide best value for money in future. It was anticipated that Volume 2 would be considered by the Environment Overview Committee, the Audit and Scrutiny Committee and the Cabinet in early 2014.

187.4 Members commented that they were receiving less complaints from residents about the condition of roads as compared to earlier in the year.

187.5 The Chairman asked whether the appropriate democratic body was contacted prior to road maintenance being undertaken so that they had an opportunity to highlight roads they considered to be in need of repair. The Head of Dorset Highways confirmed that there was a mechanism in place whereby roads in need of repair could be referred. These were then considered and a response made.

Noted

Meeting Future Challenges – Progress Report

188. The Committee did not have time to consider the Chief Executive's report and the matter was deferred to their next meeting on 17 October 2013.

Corporate Performance Monitoring Report – First Quarter 2013/14 (1 April to 30 June 2013)

189. The Committee did not have time to consider the Chief Executive's report and the matter was deferred to their next meeting on 17 October 2013.

Compliments and Complaints Annual Report 2012/13

190. The Committee did not have time to consider the Chief Executive's report and the matter was deferred to their next meeting on 17 October 2013.

Audit and Scrutiny Committee Annual Report 2012-13

191. The Committee considered their Annual Report 2012-13. Members were asked to provide the Principal Democratic Services Officers with any comments within the next seven days.

Resolved

192. That the Annual Report 2012-13 be approved, subject to any comments from members as set out in minute 187 above.

Work Programme

193. The Committee considered its updated work programme and items were added as specified in minutes 174.3 and 181.3. The reports deferred from this meeting would be added to the agenda for the next meeting on 17 October 2013.

Noted

Forward Plan of Key Decisions

194. The Committee received the County Council's Forward Plan for October 2013 published on 3 September 2013 and the draft Forward Plan for November 2013.

Noted

Questions

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

Meeting duration: 10.00am to 1.10pm