

## Audit and Scrutiny Committee

Minutes of a meeting held at County Hall  
Colliton Park, Dorchester on 12 May 2015.

### **Present:-**

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

Robin Cook (Cabinet Member for Corporate Development) and Rebecca Knox (Cabinet Member for Communities, Health and Wellbeing) attended under Standing Order 54(1).

John Wilson, Chairman of the County Council, attended under Standing Order 54(1).

### Officers:

Sam Fox-Adams (Head of Policy, Partnerships and Communications), Jonathan Mair (Head of Legal and Democratic Services), Mark Taylor (Head of Internal Audit, Insurance and Risk Management) and Helen Whitby (Principal Democratic Services Officer).

### Other officers attending as appropriate:-

Patrick Ellis (Assistant Chief Executive), Dave Hill (Director of Planning, South West Audit Partnership), Margaret Judd (Sufficiency and Funding Manager) and John Oldroyd (Audit Manager, KPMG).

(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 on **10 June 2015**.)

### **Apologies for Absence**

78. Apologies for absence were received from Ian Gardner and David Harris.

### **Code of Conduct**

79. There were no declarations by members of any discloseable pecuniary interests under the Code of Conduct.

### **Terms of Reference**

80. The Committee considered its terms of reference.

### **Noted**

### **Minutes**

81. The minutes of the meeting held on 19 March 2015 were confirmed and signed.

### **Matters Arising**

#### Minute 67 – Phoenix House, Lessons Learned

82. The Committee noted that its recommendation would be considered by the Cabinet the following day.

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

83.1 The Committee considered a report by the Chief Executive which updated members' of progress made following discussions at previous meetings.

83.2 With regard to the Cabinet variation to the recommendation relating to the Dorset Waste Partnership and decision 103.8, it was noted that the Dorset Leaders and Chief Executives had responsibility for ensuring the recommendation was complied with.

**Noted**

**Public Participation**

Public Speaking

84.1 There were no public questions received at the meeting in accordance with Standing Order 21(1).

84.2 There were no public statements received at the meeting in accordance with Standing Order 21(2).

Petitions

85. There were no petitions received in accordance with the County Council's petition scheme at this meeting.

**Work Programme**

86. The Committee considered its work programme for 2015.

**Noted**

**Cabinet Forward Plan**

87. The Committee considered the Cabinet's draft Forward Plan for the meeting to be held on 13 May 2015.

**Noted**

**External Audit Reports**

External Audit Plan 2014/15

88.1 The Committee considered a report by KPMG in relation to the External Audit Plan for 2014/15. The Audit Manager, KPMG, explained that the approach taken had been similar to that of the previous year and drew attention to the one key audit risk area (accounting for Local Authority maintained schools) and the two key financial statement audit risks for the Pension Fund. The Committee noted that the Council was taking appropriate action to address these. With regard to the one value for money audit risk relating to the Dorset Waste Partnership, the Auditors were aware of the on-going reviews and their findings.

88.2 The Chairman referred to the increasing number of partnerships the Council was involved in and, with the potential disbanding of the Joint Scrutiny Review Sub-Committee, the lack of robust scrutiny arrangements for them. He asked about KPMG's role in ensuring that satisfactory arrangements were put in place. The Audit Manager explained that governance issues for the Dorset Waste Partnership and the Dorset Development Consortium were being assessed by them for risk. He was keen not to duplicate review work already undertaken but would assess the findings. It was agreed that any impacts or budgetary variances would be included in the financial statement to be considered by the Committee in September 2015.

88.3 One member stated that with the recent governance issues experienced he would have expected the External Auditors to have reviewed the situation. The Audit Manager explained that this would be considered when variations or value for money were considered by the External Auditors. It was a question of the Dorset Waste Partnership not

budgeting appropriately which was a budget variance issue. There were a number of reviews being undertaken and the External Auditors had not yet reviewed the findings.

88.4 The Assistant Chief Executive explained that the external auditors role was to ensure that the Council complied with accounting rules, provided a view as to the health of the organisation and that funding was used appropriately and legally. They would comment on the Council's accounts and the Dorset Waste Partnership formed part of these.

88.5 The Chairman referred to the increasing need for the Council to work with partners to achieve economies and efficiencies but that recent experience had not generated confidence in such arrangements. The Dorset Leaders and Chief Executives were now involved, but he thought the External Auditors had a role to play when assessing risks to the Council and governance arrangements. The Audit Manager agreed that if they provided a risk for the Council then this would be commented upon within the financial statement. He repeated that KPMG only audited the Dorset Waste Partnership's accounts as part of the Council's accounts, not separately. These would be finalised in June and reported to the Committee in September 2015.

88.6 One member remained concerned about the lack of involvement of the External Auditors in reviewing the Dorset Waste Partnerships' arrangements. The Audit Manager commented that he did not want to duplicate work already being undertaken and would fully assess it during the usual audit process.

### **Noted**

#### **Annual Audit Fee 2015/16 Letter**

89. The Committee considered the Annual Audit Fee 2015/16 letter from KPMG. The Committee noted a 25% reduction in audit costs compared to the previous year and that any new developments such as the Local Authority Trading Company would require the fee to be reassessed.

### **Noted**

#### **Smarter Computing Programme**

90.1 The Committee received a presentation from the Assistant Chief Executive on the Smarter Computing Programme. This had been requested by the Committee in February 2015.

90.2 The Assistant Chief Executive's presentation explained what the Programme covered, progress so far, why there had been delays, what action was needed to complete the Programme and the key milestone dates. The Programme would lead to a fundamental change in the IT operating system which would be hosted on internet based servers. The original scoping of the project had not been properly validated and had led to delays of six months. The first part of the Programme (the building of back end systems) would be completed in June 2015, trials undertaken in August, with the Programme completed in April 2016. The result would be that staff could work more flexibly and more quickly from any desk top. The Committee noted that a Programme Board was now in place to oversee progress and comprised of business user representatives. The biggest risk to the Programme's success was the virtualisation aspect. If this was not completed on time, then deployment dates would be missed and this could lead to a loss of production and increased cost for the Council.

90.3 In response to questions, the Assistant Chief Executive confirmed that the Programme was originally expected to be completed by the end of 2015. The Programme had been drawn up internally, with the support of consultants, but had not been subsequently

reviewed. With regard to lessons learned he explained that the Programme Board now had representation from business users, the supplier and the lead officer. With regard to what steps could be taken to ensure this mistake would not be repeated, the Assistant Chief Executive explained that a corporate resource would be needed to support this and the need to look at project governance to ensure the right methodology was adopted from the outset. There also needed to be clarity about delivery, benefits, dependencies and resources if a project was to be delivered successfully.

90.4 With regard to members being updated on the Programme, it was explained that this was by way of Forward Together reports and the new Members IT Group, which would feedback to the Programme Board. The Cabinet Member for Corporate Development added that this Group would ensure that the end product would meet members' IT needs. The Assistant Chief Executive added that members' IT equipment would be compliant with the new approach.

### **Noted**

#### **Internal Audit Quarterly Report**

91.1 The Committee considered a report by the Chief Executive which summarised the work of the Council's Internal Audit Service and provided an overall positive assurance opinion on the Council's management of risk and the systems on internal control, a schedule of audits completed during the period, details of audit reviews which had either received a "Partial Assurance Opinion" or where risks had been identified which were considered to represent potential significant corporate risk to the Council.

91.2 It was noted that the South West Audit Partnership (SWAP) was on course to complete the audit plan for 2014-15 on time. The work undertaken in relation to the Dorset Waste Partnership was highlighted and SWAP's recommendations had been accepted and were subject to agreed action by responsible officers. A follow up audit would be carried out to ensure that the recommendations had been implemented. This would be reported to the Committee in a future report.

91.3 With regard to SWAP's role in the governance of partnerships, members were referred to the following item and noted that an audit of partnership and governance were included within the Audit Plan as allocations for the forthcoming year. The Head of Internal Audit, Insurance and Risk Management confirmed that any significant issues arising, or partial audit opinions given, would be included in the regular update reports to the Committee. Equally the outcomes from audit follow-up reviews which identified any key issues which remained outstanding would also be reported. The Committee would consider a draft governance assurance checklist at its next meeting and this had been moulded on the principles of the "Healthy Organisation" approach. It was designed to ensure the Council could review the key aspects and requirements to be met before a new partnership or alternative service delivery model was entered into.

91.4 One member was unhappy with the response from the External Auditor in relation to the Dorset Waste Partnership and their views not being available until the end of the audit process in September 2015. The Head of Internal Audit, Insurance and Risk Management explained that the action plan in place had required four different reviews to be undertaken and all recommendations arising from these had been agreed by the Partnership's Joint Committee and would be implemented. These would be subject to a SWAP follow up audit, the outcomes of which would be reported to the Committee in a future report.

## Audit and Scrutiny Committee – 12 May 2015

91.5 Some concerns remained about partnership working and governance arrangements and these would be addressed at the next meeting when the governance assurance checklist was considered.

91.6 With regard to the audit of Manor Park School, the SWAP Director of Planning confirmed that the recommendations had been accepted and were being implemented.

**Noted****Internal Audit Plan 2015-16**

92.1 The Committee considered a report by the Chief Executive which presented the Internal Audit Plan for 2015-16, together with an explanation of the various factors, processes and drivers that had been taken into account during its compilation. The report also incorporated the Internal Audit Charter which set out the operational relationship between the County Council and the South West Audit Partnership (SWAP). This governed and guided the operational work of the Internal Audit Service in delivering against the Audit Plan.

92.2 The Director of Planning presented the report highlighting the eight key themes of assurance contained in the “Healthy Organisation Model” and the two pilot audit reviews for Safeguarding and Public Health that would use this methodology. A similar audit approach was being taken with Wiltshire County Council. In agreeing the Audit Plan for 2015/16 the Committee noted the audit reviews to be undertaken on Financial and IT controls, and partnerships and governance arrangements.

**Noted****Forward Together Update**

93.1 The Committee considered a report by the Chief Executive which provided an update on progress on the property work stream and work streams under the Commercialisation and Income Generation Board. The report also provided the consolidated reporting matrix and progress against the primary work streams in Forward Together.

93.2 The Head of Policy, Partnerships and Communications presented the report highlighting the methodology being developed which would consider social return on investments in property.

93.3 Members asked that when a change of use was being considered that local members be involved in the process as there were still occasions when this did not happen. The Committee noted that the Chairman had spoken at a recent meeting of the 150 Group of senior managers to highlight the importance of the local member involvement protocol and the consequences of it not being followed. Members were encouraged to report any instances of the protocol not being followed.

93.4 One member thought that greater local member involvement required a cultural change and asked where this would be evidenced. The Cabinet Member for Corporate Development agreed that this was one of the biggest issues the Council faced and the draft work streams under Forward Together would each involve some degree of cultural change.

**Noted****Future of the Joint Scrutiny Review Sub-Committee and Governance of Partnership Organisations**

94.1 The Committee considered a report by the Chief Executive which explained the suggested disbanding of the Joint Scrutiny Review Sub-Committee, why an independent review into the future of joint scrutiny in Bournemouth, Dorset and Poole was being

commissioned. Recent high profile national cases and local cases where governance issues had been identified were being used to inform a governance checklist which would be considered at the Committee's next meeting.

94.2 The Head of Policy, Partnerships and Communications presented the report highlighting the four recommendations and that the Dorset Leaders and Chief Executives would take responsibility for issues that would have been reported to the Joint Scrutiny Review Sub-Committee until such time as joint scrutiny arrangements were in place.

94.3 The Committee considered the Joint Scrutiny Review Sub-Committee to have been ineffective and supported the recommendation for it to be disbanded. It was recognised that this would place additional responsibilities on the Dorset Leaders and Chief Executives and that this might provide an impetus for joint scrutiny arrangements to be put in place quickly.

94.4 The Cabinet Member for Communities, Health and Wellbeing drew attention to the position of the Community Safety Partnership and the urgency to know how it would be scrutinised in future, particularly as it might become pan-Dorset. It would seem that under the current arrangements, the Dorset Leaders and Chief Executives would perform this role.

94.5 With regard to the commissioning of consultants to undertake an independent review, it was suggested that prior to any contract being awarded that this review take account of the governance checklist to be considered by the Committee at their next meeting. It was also suggested that the Local Government Association be contacted to provide information about other local authorities' partnership governance arrangements so that this could also be taken into account.

#### **Resolved**

95.1 That the commissioning by the Dorset Leaders and Chief Executives of an independent review into the future of joint scrutiny in Bournemouth, Dorset and Poole be endorsed subject to:

- (a) the review taking account of the governance checklist as set out in minute 94.5 above; and
- (b) the review taking account of other local authorities' partnership governance arrangements as set out in minute 94.5 above.

95.2 That the Joint Scrutiny Review Sub-Committee be closed down with immediate effect, with joint scrutiny issues being reported to the Dorset Leaders and Chief Executives' Group until the independent review had been completed.

95.3 That the position in relation to the national and local governance failings, which will inform the governance assurance checklist, be reviewed by the Committee at its June meeting.

#### **Observing Officer Meetings**

96.1 The Committee considered a joint report by the Chief Executive and the Chairman which explained how member attendance at officer meetings would be managed.

96.1 The Chairman highlighted the lack of member response to invitations to attend officer meetings and asked members to respond quickly should they be unable to attend meetings allocated.

#### **Noted**

#### **Outside Bodies**

97. No reports had been received from members appointed to Outside Bodies, Joint Committees and Consultative Panels which related to the Chief Executive's Department.

**Member Champions**

98. No reports from Member Champions had been received.

**Questions from County Councillors**

99. No questions were asked by councillors under Standing Order 20(2).

**Exclusion of the Public****Resolved**

100. That in accordance with Section 100 A (4) of the Local Government Act 1972 to exclude the public from the meeting in relation to the business specified in minute 101 because it was likely that if members of the public were present, there would be disclosure to them of exempt information as defined in paragraphs 3 and 4 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

**Top Five School Deficits**

101.1 The Committee considered an exempt report by the Director for Children's Services on the Top Five School Deficits, which provided an update to the report previously considered by the Committee on 22 July 2014.

101.2 The Sufficiency and Funding Manager presented the report and detailed the top five school deficits on an individual basis and steps being taken to address each deficit. There were other schools with deficits but these were at a more manageable level.

101.3 A member, in the capacity as a local member, provided additional information on a local school.

101.4 There was some discussion about the impact on the Council should any of these schools become academies or sponsored academies and what could be done to counter balance this.

101.5 A member asked for information about support being provided for their local school and it was agreed that this be explored outside of the meeting.

**Noted**

Meeting duration: 12.30pm to 2:20pm