

DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON FRIDAY 26 JULY 2019

Present: Cllrs Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Simon Christopher, Susan Cocking, David Gray, Brian Heatley, Nocturin Lacey-Clarke, Mike Parkes and Bill Trite

Apologies: Cllrs Bill Pipe

Also present: Cllr Tony Alford, Cllr Nick Ireland, Cllr Peter Wharf, Ian Howse and Michelle Hopton

Officers present (for all or part of the meeting):

Aidan Dunn (Executive Director - Corporate Development S151), Jim McManus (Interim Deputy 151 Officer), Rupert Bamberger (Assistant Director SWAP), Sally White (Principal Auditor) and Lindsey Watson (Senior Democratic Services Officer)

6. Minutes

The minutes of the meeting held on 28 June 2019 were confirmed and signed by the Chairman as a correct record.

7. Declarations of Interest

There were no declarations of interest.

8. Public Participation

There were no representations from town and parish councils or members of the public.

9. Urgent items

There were no urgent items.

10. Outturn Report 2018/19

The committee received a report which contained financial performance and position information for Dorset Council's six predecessor authorities for the year ended 31 March 2019. The report summarised the performance against budget and the impact this had had on each council's closing position. It also set out the impact of the outturn and other relevant events on general balances, other reserves and the financial position transferring to Dorset Council on 1 April 2019.

In addition, the report described work in progress to transition the six sovereign councils' financial positions into a single system and a target date for achieving this.

A presentation was provided at the meeting which outlined the key aspects of the approval process.

Councillors considered the issues arising from the report and presentation and during discussion the following points were raised:

- The Executive Director of Corporate Development provided an update on staffing relevant to the Finance area and paid tribute to officers for the work they had done in preparing the accounts for the former Councils
- Councillor Peter Wharf attended the committee in the absence of the Finance, Commercial and Assets Portfolio Holder
- The role of the Audit and Governance Committee was to seek assurance that the organisation had a proportionate and appropriate level of governance in place for the preparation of the accounts, which included an internal and external audit process. At the meeting, councillors had the opportunity to ask questions of the auditor before a decision was taken to sign off the accounts
- There were a number of qualifications from the External Auditor in some of the accounts and the committee had to make a judgement as to how the recommendations would be taken forward. It was noted that not all accounts could be signed off at this meeting as there were elements of audit work to be completed
- Feedback was also sought from the committee with regard to the process generally and the information required by councillors, which would feed into next year's process
- A question was asked with regard to the transfer of reserves from the former Weymouth and Portland Borough Council to Weymouth Town Council. In response it was confirmed that a number of reserves had been shared with the town council and that the Shadow Executive Committee had agreed to transfer £0.5m to the town council. Some general funding had been set aside for the setting up of the town council with some additional funding earmarked for specific items
- A similar point was raised with regard to Portland Town Council and this would be picked up following the meeting
- In respect of the External Audit report for Dorset County Council, the External Auditor had concluded that expenditure had not been materially mis-stated
- A discussion was held with regard to the figures given in the External Audit report for academies and it was confirmed that the reports contained a best estimate for deficits associated with academies. Evidence would need to be given to Cabinet in respect of this
- Reference was made to the value for money exception note included within the Dorset County Council statement of accounts

and a reassurance was sought that the council was looking at this area

- In respect of this, the External Auditor recognised that there was a lot of work to be undertaken which would take time and that the qualification on value for money was likely to still show up in the next year's report
- The Executive Director of People – Children, attended the meeting and provided a brief overview of the future plans for Children's Services, which included budget issues and the recovery plan that had been put in place, safeguarding issues and the transformation programme that was underway. This would represent a whole service reform, including statutory consultation, in order to embed a new structure and service from January 2020. It was recognised that it would not be a quick process but there was confidence that a positive impact could be made
- With regard to Special Educational Needs and Disability (SEND) it was recognised that there was still a long way to go and there continued to be a significant funding issue with Central Government in this area. The Chairman asked that the committee be kept aware of issues in this area
- In response to a question, the External Auditor noted that a small percentage of accounts were qualified
- A discussion was held with regard to issues around the high needs block and it was noted that the council was lobbying the government with regard to funding in this area. Reference was also made to the contribution from the Clinical Commissioning Group (CCG). The Executive Director noted that a wide range of bids were submitted to the Department for Education in order to bring funding into Children's Services and examples of successful bids were provided
- In response to a question, the Executive Director provided an overview of the way support to schools was changing, with the council taking on more of a co-ordinator role, bringing schools together for increased peer to peer support
- The Executive Director offered to provide the committee with further detail in respect of the Children's Services transformation plan at a future meeting
- A discussion was held with regard to the Pensions Account and the gap in the pensions provision. Councillor Wharf spoke as the Chair of the Pension Fund Committee and noted that steps were being taken with a number of organisations, to address the situation. He indicated that he would attend a future meeting of the committee to provide more detailed information on the position
- In response to a point raised with regard to employer and employee contributions made into the scheme, the External Auditor noted that the scheme was set across local government at a national level. Contributions to the scheme were assessed every 3 years, with the next valuation being in 2020
- In response to a question it was noted that different actuaries used different assumptions when making projections about figures in the

- pensions scheme. The council had taken a prudent approach in using a figure that was at the higher end of a range of estimates
- A discussion was held in respect of a number of IT issues which had been highlighted in the External Audit reports and how these would be addressed. Councillor Wharf noted that he would refer these issues to the Executive Advisory Panel that had been set up for this area and that an update could be provided for the committee at an appropriate time
 - A point was raised with regard to recurring issues within external audit reports, including with the listing and valuation of assets
 - In response to a question with regard to the accuracy of figures included at the year end, the External Auditor confirmed that there had been a huge amount of post year transaction testing undertaken which had found no evidence of high level issues in this area
 - The External Auditor provided an overview of the items that would be signed off by 31 July 2019 and those items that would not be signed off by this date, which included some further work to be undertaken in respect of North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council. A statement would be included on the Dorset Council website to indicate the position with these council's accounts. The External Auditor expressed their thanks to the officers working in the finance teams for all of the work undertaken for the preparation of the statements of account.

The Executive Director of Corporate Development outlined the recommendations as set out in the report. He indicated that recommendations 1 to 5 were available for the committee to confirm if they were so minded. In respect of recommendations 6 and 7, he noted that the Pension Fund accounts, East Dorset District Council and Purbeck District Council accounts could be signed off as audit work had been completed. The accounts for Dorset County Council could be approved upon receipt of the final written report from the external auditor. However, as audit work associated with the accounts for North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council had not been completed, it would not be possible to approve these accounts at this meeting. In respect of these accounts, the committee could choose to delegate authority to the Executive Director of Corporate Development in consultation with the Chairman of the Audit and Governance Committee to approve the audited financial statements upon receipt of the final reports or could ask for the reports to be considered at the next meeting of the committee on 17 September 2019. Councillors considered the pros and cons of the 2 options available to them in respect of the outstanding audit reports. The Chairman suggested that the committee could choose the option of delegating approval to the Director to sign off the accounts, with the option of bringing the reports back to the committee if there were material changes to the reports. It was noted that as audit work continued, some material changes could be of a positive nature.

Following discussion, it was suggested that a report back to the committee could be provided through the Chairman, upon receipt of the finalised reports.

It was proposed by Councillor Lacey-Clarke seconded by Councillor Christopher

Decision

That the Chairman provide a report back to the committee following the completion of the audit work and receipt of final report for each financial statement for North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council.

It was proposed by Councillor Lacey-Clarke seconded by Councillor Parkes

Decision

That the Audit and Governance Committee:

1. notes the outturn position for each predecessor council;
2. understands the impact this had on the councils' general funds and reserves;
3. notes the opening position on the general fund compared with the expectations set out in the budget report;
4. understands the disaggregation process and timing for the County Council's balance sheet and the work being progressed between the S151 Officers and teams of Dorset Council and Bournemouth Christchurch and Poole Council;
5. notes the work currently in progress to review reserves and establish a new reserves baseline for Dorset Council;
6. notes the Auditor's qualified opinion on arrangements for securing economy, efficiency and effectiveness in Children's Services at Dorset County Council;
7. approves the audited financial statements for East Dorset District Council, Purbeck District Council, Dorset County Council (on receipt of the final written report) and the Pension Fund Accounts for the period ending 31 March 2019
8. delegate authority to the Executive Director of Corporate Development in consultation with the Chairman of the Audit and Governance Committee to approve the audited financial statements for North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council for the period ending 31 March 2019, following the completion of the audit work and receipt of the final report on the financial statements.

11. Internal Audit Annual Opinion Reports 2018/19 for Dorset County Council, Dorset Councils Partnership, Purbeck District Council and East Dorset District Council

The committee was presented with the Internal Audit Annual Opinion Reports for 2018/19 for the predecessor councils comprising Dorset County Council (DCC), Dorset Councils Partnership (DCP), Purbeck District Council (PDC)

and East Dorset District Council (EDDC). It was noted that South West Audit Partnership (SWAP) had delivered the Internal Audit services for both DCC and DCP and as such had provided the annual audit opinions contained within the reports for these predecessor councils. The audit opinions for PDC and EDDC had been provided by legacy staff working for those Councils and had been included for reference and completeness purposes. They did not form part of SWAP's internal audit annual opinion.

The overall internal audit assurance opinion for the year, for both the former Dorset County Council (DCC) and Dorset Councils Partnership (DCP) was 'Reasonable', in line with previous years. A caveat was provided to this, in that there were a number of key areas of Children's Services that over the course of the year internal audit were unable to complete audit work, and therefore could only provide limited assurance over this area

The Assistant Director highlighted some key areas from the DCC annual opinion report, including details of two significant risks highlighted by internal audit within the 2018/19 year, as well as four recommendations that had been 'risk accepted' by management.

Members considered the issues arising from the report and a point was raised with regard to instances where there was a differing view between Internal Audit (SWAP) and External Audit (Deloitte) in relation to financial reviews at the former DCP. In response it was noted that Internal Audit and External Audit would approach work with a different scope and that there were some issues that External Audit would cover and there would not be an expectation that these areas would be covered by Internal Audit.

In response to a question, it was noted that there may be a need for a future internal audit review of high cost placements.

12. Dorset Council - Report of Internal Audit Activity - Plan Progress 2019/20 - July 2019

The committee received the South West Audit Partnership (SWAP) Report of Internal Audit Activity – Plan Progress report for 2019/20.

Members noted a number of outstanding recommendations in respect of IT data handling and it was noted that this reinforced how much work was required in the area of IT.

In response to a question regarding the amount of audit (both internal and external audit) savings achieved through the creation of Dorset Council, it was noted that the new Authority would see annual savings of £183,000 in respect of audit work.

13. Draft Audit and Governance Committee Work Programme

Members noted the draft work programme for the Audit and Governance Committee for 2019/20, which set out the items to be considered at each meeting.

Members noted that the following additional reserve dates for the committee had been put in place for 2019/20:

14 October 2019
7 November 2019
16 January 2020
11 February 2020
23 April 2020

14. Exempt Business

There was no exempt business.

Duration of meeting: 10.00 am - 12.12 pm

Chairman

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