

DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON THURSDAY 16 JANUARY 2020

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: Ian Howse

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

Aidan Dunn (Executive Director - Corporate Development S151), Richard Ironside (Service Manager for (Finance) Policy and Compliance), Jonathan Mair (Corporate Director - Legal & Democratic Service Monitoring Officer), Jim McManus (Corporate Director - Finance and Commercial), John Sellgren (Executive Director, Place), David Wilkes (Service Manager for Treasury and Investments) and Fiona King (Democratic Services Officer)

58. Apologies

An apology for absence was received from Bill Pipe.

59. Minutes

The minutes of the meeting held on 3 December 2019 were confirmed and signed.

Minute 56 – Audit & Governance Forward Plan

Following a question about whether information regarding a change to Constitution had been circulated, the Corporate Director for Legal and Democratic Services confirmed that it had but undertook to resend it.

60. Declarations of Interest

No declarations of disclosable pecuniary interests were made at the meeting.

61. Public Participation

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

62. Dorset Council EU Exit Preparations

The committee received a presentation from the Executive Director of Place, which set out the preparations being undertaken by Dorset Council in respect

of EU Exit. The update covered the work that had been undertaken by the council and noted that an extension for EU Exit had been granted until 31 January 2020.

It was reported that:-

- Yellowhammer had now been stood down by the Government and thanks had been received for all the councils' efforts. It was noted that the merging of the council's had assisted with the Brexit challenge by bringing things together in terms of planning for emergencies. Time had been well spent that would have had to be done under any scenario.
- There were now a number of things the Government was asking councils to do. Reference was made to the Strategic Officer group, which consisted of officers at Director level drawn from across the organisation. The Group met on a weekly basis and the importance of having good channels of communication for what was an emerging situation was highlighted.
- Focus was on the on the EU Settlement Scheme – the Government were aware that a lot of people had not registered for this yet. A number of EU nationals were on the payroll and it was important to ensure the relevant staff had the appropriate advice. There was an Advisor at the Chamber of Commerce in place to provide information to businesses as it was suspected that a lot of businesses would be looking for advice. Officers also had a close link with Bournemouth, Christchurch and Poole Council. It would be difficult to predict the information businesses would need until after 1 February 2020. It was highlighted that a lot of the communication regarding businesses was being led by a Government programme and not directly by the Chamber of Commerce or the LEP.

Following a question about what the council was doing to mitigate the risk of losing a number of EU Nationals on the payroll, the Executive Director for Place advised that because of the legislative position officer could only provide guidance and not advice, that was the role of government advisors. Councils had been asked to raise awareness within their communities. There were advisors in the Citizens Advice Bureaux which could assist people. However, officers were being vigilant about the number s of EU national staff that were currently working for the Council. In respect of staff that looked after vulnerable children the Government had made it clear there would be additional funding for this. In respect of those staff that looked after vulnerable adults, the Government were also concerned with this, the Director of People - Adults had been involved in this regard through the Strategic Group and helpful guidance from the Government had been issued. The Corporate Director for Legal and Democratic Services added that the aim was to encourage people to register to ensure there wasn't a shortfall in the workforce and to get some direct communications in place using the open Electoral Register for people that were registered to vote. The aim was to also get some direct communications in place using the Open electoral register for people that were registered to vote.

Following a discussion regarding shipping and there was still a potential risk, the Executive Director for Place advised that if Poole was one of the ports

designated with additional capacity there was now a contingency plan in place.

The Vice-Chairman felt it would be helpful for members to receive a written report setting out a retrospective view on how the risks had been managed along with any lessons learned. The Executive Director - Place confirmed that the issues were logged on the Corporate Risk Register. With regards to Internal Audit, the Corporate Director – Legal and Democratic Services advised that this was not in the Internal Audit workplan. However, there was report being presented to the Senior Leadership Team shortly about the Brexit programme which would come to the Audit and Governance Committee at a later date.

One member expressed concern regarding farming and felt this area specifically would be affected quite drastically. There was already evidence of labour market problems. One of the main concerns was for large farmers and how they would cope with this. He suggested engaging with Kingston Maurward College to encourage young people into the farming industry.

In response to a query about the UK shared prosperity fund, which would replace EU money, the Executive Director – Place advised that the LEP was keen for this money to be channelled through them whilst the Local Government Association wanted to see the monies go through local councils. This was still very much a watch this space scenario. With regards to procurement and whether there would be any prospect of simplifying the process councils had to go through for purchasing, the Executive Director advised he was hopeful that the Government would seek to remove some of the red tape.

Decision

That members receive a report which included a retrospective view of the processes along with any lessons learned.

63. External Audit Plan

Members considered the planning report for the year ending 31 March 2020 from Deloitte.

Ian Howse from Deloitte presented the report highlighting the significant audit risks to members.

The Executive Director – Corporate Development advised the committee that the 2018/19 Accounts for Weymouth and Portland Borough Council, West Dorset District Council and North Dorset District Council had now been signed off by the Chairman and himself. The delay had been due to the complexity of the transition into the new Council, combined with the new External Auditor needing time to get up to speed. However, his team were already preparing for this year's accounts.

One member expressed concern regarding Risk 6 – Value for Money and felt it looked as if there had been very little progress made. He felt this could

potentially be a reputational big risk and asked how members could gauge improvement. Mr Howse, Deloitte advised that his job was to look across the whole year with the aim to bring back areas where progress has been made and where there are still areas of concern. His experience suggested this was more of a long-term project.

The Chairman advised that he had spoken with SWAP officers earlier to ask them to attend future committee meetings in order to give more assistance to members. He thought it might also be helpful for a representative from Deloitte to attend meetings quarterly. Mr Howse advised that there plans in place for an interim report in March following the interim audit. He was happy to attend as and when members wished but was unlikely to produce a draft report for July due to time constraints. The Chairman welcomed those and felt whilst members still had concerns about finances, this would go some way to address this.

In response to a request for reassurance in terms of value for money in areas of expenditure in respect of Children's Services relating to one individual, Mr Howse advised that the work that auditors did on value for money only looked at high level arrangements that the council had in place. The way the system worked at the moment they would not be looking at benchmarking at that level. The focus was on the numbers that were in the accounts which didn't go into that level of detail. Cllr Christopher asked for a letter to be sent to the Chairman from Deloitte confirming these arrangements.

The Corporate Director – Legal and Democratic Services advised members of the potential next steps with regards to Risk 6 in that the value for money conclusion element of the opinion on the accounts would be qualified. If there was a significant risk be questioned whether it would be for the auditors to follow through or would it be for the Overview and Scrutiny Committees to take forward as there was mention of this in their terms of reference. The Vice-Chairman felt members needed to be assured that they had the right methods in place and felt it was for the Scrutiny Committees to take forward and for the Audit Committee to then review.

One member felt it would be appropriate for the People Scrutiny Committee to look at the Blueprint for Change programme and for Audit to then see how the project had gone and if there had been any lessons learned.

In respect of the Deloitte approach to materiality the Chairman asked where the 1.7% had come from. Mr Howse advised that the range was usually between one and two per cent, it was purely a judgement factor and would be reassessed throughout the audit.

Decisions

1. That Deloitte write to the Chairman confirming the level of detail in the accounts regarding the Value for Money risk.
2. That Overview and Scrutiny Committees take forward the detail on the Value for Money risk.
3. That a report on the Blueprint for Change Programme be added to the Forward Plan.

4. The Clerk to send meeting dates to Deloitte for them to establish when they will report back to members.

64. External Audit Work and Fees 2016/17 and 2017/19 KPMG Weymouth & Portland Borough Council

Members considered a report from the Executive Director Corporate Development which had been prepared as a result of an objection to the accounts for the year ended 31 March 2017 relating to Lender Option Borrower Option (LOBO) loans taken out by Weymouth and Portland Borough Council.

The summary of the matter produced by KPMG had been attached as an appendix to the Director's report.

Following a comment from a member regarding looking at current LOBOs and the processes around them, the Corporate Director – Finance and Commercial agreed that as part of the Treasury Management Strategy officers would continue to look at LOBOs as part of a fuller piece of work for 2020/2021.

In response to a question about a timeframe for people to complain and when it could be deemed to be not worth exploring, Mr Howse advised that there was a fixed period of time in which members of the public could challenge – 28 days. Once the audit was closed off and signed with certificates issued it then closed any objections. The Executive Director – Corporate Development confirmed that all the other accounts for that particular council were now signed off.

One member expressed surprise and concern that one elector could raise a complaint about accounts and cause a Council to spend in excess of £16k. Mr Howse noted that the auditor needed to assess the question raised and charge accordingly for the process.

Following a discussion about whether the objection was genuine rather than vexatious or flippant, one member asked if the objector was entitled to anonymity as he felt members of the public had a right to know who the objector was and the cost of such matters. Mr Howse advised there was an opportunity for the Auditor to determine if it was a vexatious objection. The Corporate Director – Legal and Democratic Services was unsure as to whether it would serve any purpose to identify the objector.

Noted

65. Audit and Governance Work Programme

The committee's forward plan was reviewed and the following points noted:

- A look at the process for the Blueprint for Change programme – date to be agreed.

- A brief report on how the council organises its filing and how IT systems relate to this – date to be agreed within the next 3 months.
- In respect of the recent budget setting process, the Chairman felt Audit members should perhaps have been included. He asked that members look at how the figures were obtained and the methodology used in order to be assured. The Executive Director – Corporate Development advised that SWAP were already on board and would report back to members on this. Date to be agreed.
- The Executive Director undertook to liaise with SWAP to see if a workshop would be useful as a means to report on the processes used.

Following attendance at a recent LGA/CIPFA training event the Chairman and lead officers to meet to discuss the Committee's Terms of Reference.

The Executive Director – Corporate Development undertook to explore future training opportunities for members of the Committee.

The Chairman reminded members about the Treasury Management training scheduled for Thursday 23 January 2020.

66. Urgent items

There were no urgent items of business.

Duration of meeting: 10.00 - 11.35 am

Chairman

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