

## SCRUTINY COMMITTEE FOR AUDIT, BEST VALUE AND COMMUNITY SERVICES

DRAFT MINUTES of a meeting of the Scrutiny Committee for Audit, Best Value and Community Services held at County Hall, Lewes on 24 June 2013.

---

- PRESENT - Councillor Michael Blanch (Chairman), Councillors John Barnes, Jeremy Birch, Laurence Keeley, Jim Sheppard, Robert Standley and David Tutt
- OFFICERS - Simon Hughes, Assistant Chief Executive, Governance and Community Services  
Kevin Foster, Chief Operating Officer  
Cynthia Lyons, Acting Director of Public Health  
Mo Hemsley, Assistant Director, Service Finance  
Leatham Green, Assistant Director, Personnel and Training  
Philip Baker, Assistant Director, Legal and Democratic Services  
Russell Banks, Head of Assurance  
Harvey Winder, Scrutiny Support Officer
- ALSO PRESENT - Councillor David Elkin, Deputy Leader and Vice Chair of the Cabinet

### 1. MINUTES

1.1 RESOLVED – to approve as a correct record the minutes of the meeting of the Committee held on 15 March 2013.

### 2. APOLOGIES FOR ABSENCE

2.1 Councillors Carolyn Lambert and Francis Whetstone sent their apologies.

### 3. DECLARATIONS OF INTEREST

3.1 There were none.

### 4. REPORTS

4.1 Copies of the reports on the matters dealt with in the minutes below are contained in the minute book.

## **Audit & Risk Items**

### 5. INTERNAL AUDIT STRATEGY 2013/14 AND ANNUAL PLAN

5.1 The Committee considered a report by the Acting Chief Finance Officer summarising the Internal Audit Strategy 2013/14 and the Annual Internal Audit Plan.

5.2 The following key points emerged from the discussion:

- The Committee welcomed the decision to align the Annual Internal Audit Plan with the four key corporate priorities. This new arrangement will help to make it clear that the Committee, through its scrutiny of the Audit Plan, is using its own resources in a way that clearly reflects the priorities of the Council.
- The Council has one of the lowest external audit fees in the country. One of the reasons for this is because the external auditors are able to place reliance on the work of Internal Audit Service.

- Internal Audit is in regular contact with the internal audit team at Surrey County Council to ensure that wherever possible, audit work is co-ordinated in areas where the two Councils are working together, for example, the shared SAP system.
- Council Departments carry out mitigating actions that are designed to reduce the likelihood of risk exposure from the identified strategic risks (Appendix B). The issue of potholes has been recently added as a strategic risk and a number of mitigating actions are being undertaken. These mitigating actions may take a few months to become fully effective. Once the mitigating actions have been in place for a few months, the Committee will monitor how effective they have been in reducing the Council's exposure to risk.

5.3. RESOLVED – (1) to endorse the Council's Internal Audit Strategy 2013/14 and Annual Internal Audit Plan;

(2) to approve the updated Internal Audit Charter;

(3) to request that if the Head of Assurance has any issues or concerns regarding the available capacity to deliver the Internal Audit Annual Plan he reports them to the Committee;

(4) to request a report for 5 November 2013 to reassure the Committee that the planned mitigating actions put in place to reduce the exposure to risk from potholes have been effective in reducing risk to the Council.

## 6. INTERNAL AUDIT SERVICES: ANNUAL REPORT AND OPINION

6.1 The Committee considered a report by the Acting Chief Finance Officer summarising the Council's control environment for the year from 1 April 2012 to 31 March 2013.

6.2 The following key points emerged from the discussion:

- Internal Audit Services (IAS) writes to all schools that are subject to an audit asking for reassurance that they have implemented all high risk audit recommendations. All schools that receive either 'no assurance' or 'minimal assurance' audit opinions are subject to a follow up visit.
- IAS resources are limited and there are a large number of schools to audit. If a school has been given "partial assurance", IAS makes a judgement whether or not to carry out a follow up review.
- IAS is not responsible for overseeing the financial probity of schools. Business Services Department Finance provide a considerable amount of oversight, and all schools are required to return to the Department an annual self-assessment based on the national "Schools Financial Value Standard".
- IAS provides some audit support to schools including, periodically sending governors a bulletin of audit issues, reminding governors to ask questions on particular issues that they are responsible for overseeing, and arranging to talk through particular issues with governing bodies face to face.
- EXOR, THRIVE and Oracle Database Controls were given partial assurance and the Committee considered it important that the control measures that the IAS recommends are implemented successfully.

6.3 RESOLVED – (1) to note the internal audit service's opinion on the Council's control environment;

(2) to recommend that there are no significant control issues that should be included in the Council's annual governance statements for 2012/13;

(3) to recommend that the Council's system for internal audit has proved effective during 2012/13;

(4) to request to be kept informed of the implementation of audit recommendations relating to EXOR and Oracle Database Controls.

## 7. STRATEGIC RISK MONITORING

7.1 The Committee considered a report by the Chief Operating Officer summarising the current strategic risks faced by the Council, the update of their status and the mitigating actions being proposed and implemented by Chief Officers.

7.2 The following key points emerged from the discussion:

- The Strategic risk "Ineffective corporate support functions" has been downgraded to a departmental risk because of the Business Services consolidation programme. The structure of the new Business Services Department should address the previously highlighted risks around corporate support. The Business Services Department will be formally launched on 2<sup>nd</sup> September 2013.
- The likelihood of risk from staff motivation has been reduced because of a 12 month programme of employee engagement workshops. These workshops have identified and addressed issues with how managers engage with staff, which has now improved staff morale. A staff satisfaction survey will be undertaken in early 2014 and it should indicate whether or not the likelihood of strategic risk from staff motivation has fallen.

7.3 RESOLVED – (1) to note the report and its appendices;

(2) to request to be informed of the outcome of the consolidation of Business Services, including how it has reduced risk to the Council, after the formal service launch on 2<sup>nd</sup> September 2013;

(3) to request to be informed of the outcome of the staff satisfaction survey planned for early 2014;

(4) to request a training session for Members on risk management at a future meeting once the review of the current risk framework has been completed. The session should take place prior to an Audit, Best Value & Community Services Scrutiny Committee meeting;

(5) to request that the full risk register is circulated annually to all Audit, Best Value & Community Services Scrutiny Committee Members;

(6) to request a meeting between the Chairman and Deputy Chairman to consider the departmental risk registers and whether any risks should be escalated to the strategic risk register.

## 8. ASSESSMENT OF THE CORPORATE GOVERNANCE FRAMEWORK AND CORPORATE ASSURANCE STATEMENT 2012/13

8.1 The Committee considered a draft of the Monitoring Officer's report to the Governance committee on the Annual Assessment of the Corporate Governance Framework and Annual Governance Statement.

8.2 The Committee noted that the Council only used its powers of directed surveillance under the Regulation of Investigatory Powers Act (RIPA) twice during 2012/13.

8.3 RESOLVED – (1) to note the report and its appendices;

(2) to recommend to the Governance Committee the following changes to the report:

- Include in Annex A of the Annual Governance Statement the action that will be taken to strengthen governance, risk management and internal control environment for public health.

(3) to request to be kept informed that the appropriate governance arrangements are in place for the South East 7 Partnership.

## 9. TREASURY MANAGEMENT – STEWARDSHIP REPORT 2012/13

9.1 The Committee considered a report by the Chief Operating Officer summarising the Council's treasury management activities for the year 2012/13.

9.2 RESOLVED – (1) to note the treasury management performance in 2012/13;

(2) to note the actual treasury and prudential indicators as contained in appendices B and C.

## 10. NON-COLLECTION OF TEACHERS' PENSION CONTRIBUTIONS

10.1 The Committee considered a report by the Chief Operating Officer summarising the audit that has been conducted relating to the non-collection of teachers' pension contributions and the action taken to resolve the matter.

10.2 The following key points emerged during the discussion:

- The non-collection of teachers' pension contributions is a national issue and other local authorities are aware of it. However, the Personnel and Training service at East Sussex County Council has proactively pursued a resolution to the issue and has shared its lessons and recommended actions with other local authorities and the National Board for the Teachers' Pensions Scheme.
- Whilst Capita administer the Teachers' Pension Scheme on behalf of the Department for Education (DfE), and is therefore not free from blame, East Sussex County Council is legally responsible for ensuring that the correct teachers' pension regulations are in place. Therefore, the Council, not Capita, is liable in this case and must pay the pension arrears.
- The Council has lobbied the DfE and the Capita Project Board (of which Personnel and Training is a member) over the issue of responsibility. Capita has agreed to both reduce the compound interest on the arrears and provide employees with multiple options to pay back their outstanding contributions.
- Some employees have been affected more than others. In some cases, the fault lies clearly with the Council/Capita. Where this is the case, the affected employee will have a greater number of options to make up the unpaid contributions.
- Since uncovering the issue, six people have retired and voluntarily taken a reduced pension.

10.2 RESOLVED – (1) to note the report and its appendices;

(2) to congratulate the Personnel and Training service on their proactive and effective work on this issue;

(3) to recommend that the Personnel and Training service once again raise the issue of liability for the pension arrears with the DfE and the Capita Project Board. Additionally, the Personnel and Training service should raise the issue with the Local Government Association.

## Scrutiny Items

### 11. AN INTRODUCTION TO PUBLIC HEALTH

11.1 The Committee considered a report by the Acting Director of Public Health summarising the new public health responsibilities of East Sussex County Council and listing the recommendations of the Public Health Joint Reference Group.

11.2 The following key points emerged from the discussion:

- The Council does not commission nor provide vaccination services. Instead, the Council's health protection responsibilities are around ensuring that plans are in place to protect the health of the population from threats ranging from outbreaks (e.g., measles) to full scale emergencies.
- The Committee will be able to scrutinise much of the Council's public health role through the Reconciling Policy, Performance and Resources process. The Public Health Directorate will set out how it allocates resources to fulfil its mandatory and non-mandatory services in its portfolio plan, a draft of which is sent to the Committee for comment as part of the RPPR process.

11.3 RESOLVED – (1) to note the report and its appendices:

(2) to agree the recommendations of the Public Health Joint Reference Group;

(3) to request that the Public Health Directorate keeps the committee informed of the progress of NHS Health Checks and the Public Health service review programme, as referred to in the recommendations of the Joint Reference Group;

(4) to request that the Public Health Directorate circulates to Members of the Committee:

- A public health briefing note for Members that includes a clear picture of all public health responsibilities and which organisations are responsible for delivering them.
- A copy of the Public Health departmental risk register.

### 12. SCRUTINY WORK PROGRAMME

12.1 The Committee considered a report by the Assistant Chief Executive, Governance and Community Services setting out the Committee's planned programme of work for the forthcoming year.

12.2 RESOLVED – to add to the Committee's programme of work for 2013/14 as follows:

- Under the table headed "Potential future scrutiny work", include the key parts of the change programme: South East 7, Agile working, Sussex and Surrey procurement partnership, and SPACES.

### 13. FORWARD PLAN

13.1 The Committee considered the Forward Plan for the period 1 June 2013 to 31 October 2013.

13.2 RESOLVED – (1) to note the Forward Plan;

(2) to circulate to the Chairman a draft copy of the Corporate Property Policies report for comment prior to its publication on the agenda for the Lead Member for Resource Meeting on 16<sup>th</sup> July 2013.

54. NEXT MEETING

54.1 The meeting ended at **12.45**. The next meeting of the Committee will be held on **6 September 2013**.