

AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at County Hall, Lewes on 17 July 2015.

PRESENT Councillors Mike Blanch (Chair), John Barnes (Vice Chair), Laurence Keeley, Bob Standley, Trevor Webb and Francis Whetstone

LEAD MEMBERS Councillor Elkin

ALSO PRESENT Kevin Foster, Chief Operating Officer
Marion Kelly, Chief Finance Officer
Philip Baker, Assistant Chief Executive and Monitoring Officer
Laura Langstaff, Head of Procurement
Ola Owolabi, Head of Accounts and Pensions
Russell Banks, Head of Assurance
Rawdon Philips, Risk and Insurance Manager
Nigel Chilcott, Senior Audit Manager
Andrew Burrows, Principal Client Officer – Energy
Martin Jenks, Senior Democratic Services Advisor

Philip Johnstone, KPMG
Charlotte Goodrich, KPMG

1 MINUTES

1.1 RESOLVED to approve as a correct record the minutes of the meeting held on 17 March 2015.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were noted from Councillor Carolyn Lambert.

3 DISCLOSURES OF INTERESTS

3.1 None notified.

4 URGENT ITEMS

4.1 None notified.

5 REPORTS

5.1 Reports referred to in the minutes below are contained in the minute book.

5.2 It was RESOLVED to amend the agenda order, to accommodate the visiting external auditors from KPMG, and take item 11 after item 5 (see minute 7).

6 PROCUREMENT PERFORMANCE UPDATE

6.1 The Committee considered a report by the Chief Operating Officer which provided an update on the ongoing development of Procurement and Category Management and an update on performance. Laura Langstaff, Head of Procurement, set out the development of the Orbis project, and its alignment with corporate strategies, with a particular focus on Social Value.

6.2 The Committee discussed:

- the desirability of more regular reporting;
- whether the Performance Indicators were sufficiently quantifiable;
- the differential in savings identified at Surrey and East Sussex County Councils;
- the link between Social Value and the Employability and Skills strategy, to encourage the development of apprenticeships and local spend;
- design and build contracts for capital projects, and the potential for losing a degree of control in a tried and tested procurement approach.

6.3 RESOLVED (1) to note the report; and

(2) to request an update report with the Performance Indicators completed at a future meeting.

7 REVIEW OF THE ANNUAL GOVERNANCE REPORT AND STATEMENT OF ACCOUNTS FOR 2014/15

7.1 The Committee considered a report by the Chief Operating Officer. Final versions of Appendix A (the ISA260 - Report to those charged with governance) and Appendix B (Statement of accounts), which had been marked as draft in the published agenda papers, were circulated.

7.2 Philip Johnstone of external auditors KPMG highlighted the following issues:

- The unqualified Value for Money judgement;
- The material adjustment of around £36m regarding Voluntary Controlled schools and the new auditing regulations that require them to be kept on the County Council's balance sheet until it can be conclusively proved that another party owns the asset – the Diocese of Chichester is currently in the process of reviewing its records to establish title to 22 schools;
- The formal objection from an elector to the Bexhill Hastings Link Road to which the external auditors have issued a provisional response;
- The 25% reduction in external audit fees for the following financial year;
- The unqualified opinion on the Pension Fund ISA260.

7.3 The Committee discussed the calculation of depreciation. Marion Kelly, Chief Finance Officer, offered to provide a briefing for the Committee.

7.4 RESOLVED to (1) note the report and its appendices and the comments of the external auditor;

(2) confirm that there are no concerns arising from the Independent Auditor's (KPMG) report or the management response to it, that need to be brought to the attention of the Governance Committee; and

(3) thank the external auditors, Marion Kelly, Ola Owalabi and the rest of the Finance team in completing the audit two months ahead of the usual schedule.

8 INTERNAL AUDIT SERVICES: ANNUAL REPORT AND OPINION 2014/15

8.1 The Committee welcomed a report by the Chief Operating Officer summarising the key audit findings, progress on delivery of the audit plan and the performance of the internal audit service.

8.2 The Committee discussed:

- The target of auditing half of all schools over a two year period, and the one-off funding secured to deliver a training programme on financial governance for Headteachers, Bursars and school Business Managers;
- The number of Blue Badges secured during the recent amnesty – Russell Banks, Head of Assurance, agreed to circulate the final figure;
- The partial assurance on Appointee and Deputyship (Client Affairs) – there was general agreement that this should be referred to the Adult Social Care and Community Safety Scrutiny Committee;
- The partial assurance of the pension provider;
- The Committee noted with thanks the achievements of the Head of Assurance and his staff in delivering 93% of the plan for last year.

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

(2) agree that there are no significant control issues that should be included in the Council's annual governance statement;

(3) agree that the Council's system for internal audit has proved effective during 2014/15; and

(4) thank and congratulate the internal audit team on their work and performance indicators.

9 INTERNAL AUDIT STRATEGY 2015/16 AND ANNUAL PLAN

9.1 The Committee considered a report by the Chief Operating Officer setting out the internal audit strategy and annual plan for the 2015/16 financial year.

9.2 RESOLVED to endorse the strategy and plan.

10 RISK MANAGEMENT FRAMEWORK

10.1 The Committee considered a report by the Chief Operating Officer which presented an updated risk management framework for the Council.

10.2 RESOLVED to (1) endorse the updated risk management framework; and

(2) recommend that the Cabinet agree the updated risk management framework, subject to an amendment to include a statement on staff engagement in delivering the framework.

11 STRATEGIC RISK MONITORING

11.1 The Committee considered a report by the Chief Operating Officer which presented an update on current strategic risks faced by the Council, their status and risk controls/responses. It was set out that there had been no change to any scores, only to certain narratives.

11.2 The Committee discussed the following Strategic Risks:

- 4 – Health: whether the risk should be rated as Red. It was explained that the score shown was the post mitigation score, which took into account the proposed risk controls. An email explanation was requested.
- 7 – Schools: the nature of the risk was discussed, and alternatives to the use of the words “fragmentation” and “reputation” were suggested, including the risk of the lack of power to intervene in failing schools and consequential drop in children’s performance. It was explained that the Department kept the risks under review and that the comments of the Committee would be shared with the Department, but ultimately the matter was one for the Department to resolve, taking into account the comments and advice of the Committee.
- 9 – Workforce: the Committee commented on the proposed trade union legislation and the effects of a high degree of change on staff welfare, and in particular stress.

11.3 RESOLVED to note the current strategic risks and the control/response being proposed and implemented by Chief Officers.

12 ASSESSMENT OF THE CORPORATE GOVERNANCE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT FOR 2014/15

12.1 The Committee considered a report by the Monitoring Officer, containing the draft annual assessment reports of the Corporate Governance Framework and Annual Governance Statement that are due to be agreed by the Governance Committee on 21 July 2015.

12.2 RESOLVED to (1) note the draft report to the Governance Committee and its appendices; and

(2) recommend to the Governance Committee that Annex A to the Annual Governance Statement is amended so that:

- it reflects that workforce development strategies are in place for Business Services (BSD), Communities, Economy and Transport (CET) and Adult Social Care and Health, as well as for Children’s Services (last bullet point in the section for Children’s Services);
- Adult Social Care and Public Health risk logs are combined and include the East Sussex Better Together (ESBT) programme for DMT reporting, to produce a combined risk register across all health and wellbeing activities (last bullet point under Adult Social Care and Health section);
- the action to review and automate the process for staff to submit declarations of interest and gift/hospitality returns is extended to include elected Members (last bullet point under Governance Services).

13 CARBON MANAGEMENT

13.1 The Committee considered a report by the Chief Operating Officer which provided an update on work undertaken and planned activities to reduce the Council’s carbon footprint.

13.2 The Committee discussed:

- the Salix fund underspend of £67,815, its being carried forward and the risk of losing it in future years;
- the feasibility of installing photovoltaic panels on parts of the County Council estate, including County Hall and car parks, to take advantage of the feed-in tariff to support the business case for installation;
- the payback period, and the criteria for determining a satisfactory rate of return on investment;

- the importance of having full figures, in particular where a project could be netted off against an old building that has been disposed of by the Council.

13.3 It was explained that there were no strict criteria for assessing projects, but that the Carbon Trust's Salix Finance funding was used for projects with a maximum seven and a half year payback period, which could be supported by contributions from other sources. The County Council's Carbon Reduction Fund can be used for this purpose. The Committee expressed concern with the approach, with particular regard to properties where long term occupation was uncertain.

13.4 RESOLVED to (1) note the report; and to

(2) request an update at a future meeting together with clarification about (a) the calculation and limits of payback periods and (b) photovoltaic feasibility.

14 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

14.1 The Committee considered the Committee's planned programme of work for the forthcoming year. The Chair reported that he had been approached by Surrey County Council with a proposal to scrutinise the Orbis partnership jointly. There was general support for an informal, temporary arrangement.

14.2 The Committee discussed options for dealing with the high volume of work and paper associated with the Committee including an extra meeting each year, amending the agenda order, and making greater use of Panels to deal with the initial scrutiny of issues. Whilst the Committee was assured it was generally effective, members felt that they were not proactive enough, that time needed to be found to look ahead, for the Committee to choose future topics of importance to the council. An Awayday to do this was suggested.

14.3 The Committee asked that an update report on the one-off Public Health projects be brought to the September Committee meeting.

14.4 The Committee confirmed that RPPR Board panel meetings were being arranged to look at Marketing and Communications and the Library Service.

14.5 RESOLVED to note the work programme.

15 FORWARD PLAN TO 31 OCTOBER 2015

15.1 The Committee considered the Forward Plan for the period to 31 October 2015.

15.2 RESOLVED to note the Forward Plan.

16 NEXT MEETING

16.1 The next meeting of the Committee will be held on Tuesday 15 September 2015.

(The meeting ended at Time Not Specified)

CHAIRMAN