

## **AUDIT AND ASSURANCE COMMITTEE**

Minutes of a Meeting of the Audit and Assurance Committee held on Tuesday, 11 December 2018 at 10.30 am at Conference Room A, Cumbria House, Botchergate, Carlisle CA1 1RD

### **PRESENT:**

Mrs HF Carrick (Chair)

Mr SB Collins  
Mr LN Fisher  
Mr NH Marriner

Mr GD Cook  
Mr A McGuckin (Vice-Chair)  
Mr FI Morgan

### **Also in Attendance:-**

Mrs J Crellin - Director of Finance (Section 151 Officer)  
Mr P Robinson - Assistant Director - Organisational Change  
Mr R McGahon - Group Audit Manager  
Ms I Puzio - Chief Legal Officer (Monitoring Officer)  
Mr P George - Group Finance Manager - Pensions Investments & Insurance  
Mrs H Kirk - Corporate Risk Manager  
Mr P Usher - Audit Manager  
Ms J Atkinson - Assistant Director - Strategic Commissioning  
Ms A Madden - Senior HR Manager – Operations  
Mr G Kelly - Engagement Lead - Grant Thornton

### **PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS**

#### **40 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mrs C MacCarron Holmes

#### **41 MEMBERSHIP**

Mr Morgan replaced Mrs McCarron Holmes as a member of the Committee for this meeting only.

#### **42 DISCLOSURES OF INTEREST**

No disclosures of Interest were declared.

#### **43 EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that, the press and public not be excluded from the meeting during consideration of any items of business on the Agenda.

#### **44 MINUTES**

Page 11, Minute 34, 2018/19 Quarter 1 Corporate Risk Report. Brexit to be kept on the Committee's Forward Plan

Page 13, Minute 36, Internal Audit Progress Report to 31 July 2018. The summary of the work of Internal Audit was for a four month period, not six.

**RESOLVED** that, subject to the correction to Minute 36 above, the minutes of the previous meeting held on Monday 17 September 2018 be agreed.

#### **45 DEEP DIVE RISK ANALYSIS - MANAGEMENT OF ATTENDANCE UPDATE**

Members considered a report from the Executive Director – Corporate, Customer and Community Services regarding an update on the management of attendance and received a presentation from the Assistant Director Organisational Change and HR Manager - Operational Delivery Team.

The report provided an update on the management of attendance by the Council, following reports considered by the Audit and Assurance Committee in March 2016 and September 2017. The Committee's role was to provide independent assurance to members on the adequacy of the Risk Management Framework and internal control environment.

During the presentation, the HR Manager - Operational Delivery Team gave the background and context to the management of absence which included regular updates to members via a number of fora including Cabinet, Scrutiny Management Board, Audit and Assurance Committee and Corporate Management Team's focus on absence as a high corporate priority. Members were advised that the Internal Audit report had given an audit assurance opinion of 'reasonable' assurance in February 2018 with a number of strengths identified and recognised by Committee members. Members were guided through further progress made against the resultant Action Plan. The focus on strengthened governance in the managers' day job was outlined with members being advised on the provision of training and development, refreshed management information, rigorous and ongoing people management support. This encouraged managers to take strong ownership of absence management.

It was noted that 90% of the workforce had no recorded absence which members recognised and congratulated. Members were advised of the suite of options to allow managers to tackle absence cases. People Management had listened to managers in order to proactively support them. Members were advised of the corporate interventions in use to deal with the management of absence, in particular members were advised about targeted health and wellbeing support made available such as promoting key health issues and advocates for mental health, physical health campaigns and work/life balance encouragement.

A number of graphics were displayed relating to Occupation Health referrals and the Performance Management Absence Dashboard. Members were assured that each absence interaction was logged and noted. The purpose of Assistant Director Case Clinics was reported. This had been replicated from successful practice at Sunderland City Council. The criteria for ill health retirement were explained and members were assured that cases were managed carefully and closely. The key highlights of the February 2018 Internal Audit report were reported and the pattern and trends of previous management information and manager self-serve were explained. The HR Manager - Operational Delivery Team explained how the 'Heat map' of previous years' data was used to pinpoint hotspots for absence and stressed that data was scrutinised by officers to try to better identify or understand reasons for absence.

When looking at performance and the historically high corporate absence rate projected for 2018/19, it was noted that it was only marginally better than the previous year. Benchmarking took place with North West Employers and the CIPD. The targets for each directorate were reported and it was noted that it was currently forecasted for there to be a 1% improvement on the previous year. The information was submitted to all directorate DMT meetings.

Members were provided with the figures of the percentage of staff with perfect attendance each month. It was reiterated that in any given month, approximately 90% of staff had full attendance. The causes and numbers of absences 2017/18 were noted with members being advised that the key was to understand the causes of absence and being proactive and taking preventative measures to address them. Officers wanted to reduce stress and the duration of stress absence. In conclusion, assurance was provided that the County Council was using a significant number of methods to manage long term absence as identified by the CIPD in May 2018.

A member was advised how hospital appointments were supported and recorded. How the Council dealt with recording absence incidents and how officers could be accommodated to attend appointments was clarified. The tools provided for Managers to make ad hoc enquiries on absence data were explained.

On being asked if there was training for staff in teams with high, recurrent injuries, the Committee was informed that the People Management Service worked closely with the Health and Safety team with training provided where necessary.

The omission of absence in schools data was raised. The HR Manager - Operational Delivery Team explained that schools could choose who recorded their absence data, with the County Council currently excluding this data. A member asked if the Council was in a position to offer absence advice to schools. The HR Manager - Operational Delivery Team stated that it would incur additional People Management resources, however, it was currently being considered.

Discussion took place about patterns of absence, how they are analysed and their potential causes. Members were advised that re-profiling of the corporate absence rate had occurred following discussions with the Scrutiny Management Board and Cabinet with revised targets agreed through the Annual Council Plan Delivery Plan.

The Assistant Director Organisational Change reported on the work undertaken in the Action Plan and the forensic details used to manage absence and commented on the patterns of absence. A member welcomed that it was only 10% of staff with absence issues. The Assistant Director Organisational Change commented on the positive attendance culture and the professionalism of dedicated and committed staff fulfilling their contractual obligations for attendance. He advised that staff were valued and undertook challenging work in sometimes difficult environments.

A member questioned if managers had targets to reduce absence. The Assistant Director Organisational Change talked about benchmarking and as Cumbria was unique in the size of workforce it was challenging to benchmark. He confirmed that Manager targets were in place for each service and that Departmental Management Teams received a monthly absence report to ensure performance management and accountability.

The significant absence management work was welcomed by members but it was emphasised that staff should understand the importance of the cost of absence. This was acknowledged by the Assistant Director Organisational Change who briefed members on the costs of agency and temporary staff but that team members often picked up work during times of absence. A member raised the costs of sick pay in terms of its impact on other team members who were providing cover.

A short discussion took place on the day 6 trigger point. A member queried whether the 260 day figure of full time equivalent of working days should be reviewed, reiterating that absence management was the responsibility of all managers rather than that of People Management.

A member highlighted that very little improvement had been made to the high corporate absence rate. Consideration was also given to small teams where absence could potentially impact upon safety such as in Highways.

It was queried whether the service areas identified in the Action Plan as being of greatest concern and needing dedicated support in September 2017 and November 2018 were the same or different as the titles were ambiguous. The HR Manager - Operational Delivery Team reported that the difference in names reflected the recent restructuring.

Discussion took place on the time period covered in the report. A query was made regarding the reduction in the threshold for determining high priority cases and a member asked what impact the reduction of the parameters for short term absences from 9 to 6 occasions would have on the number of cases needing to be managed. The HR Manager - Operational Delivery Team advised that she would undertake this analysis.

The Chair highlighted that the Committee's role was to challenge the effectiveness of the risk controls in place. The Assistant Director Organisational Change in providing a response, commented on public sector challenges such as recruitment issues and an ageing workforce but believed that the controls in place were appropriate. He outlined the current challenges in local government generally, the pressures of increased demand for Council Services and the overall reducing financial resources available nationally.

Figures relating to October 2018's service overview performance was discussed with the HR Manager - Operational Delivery Team explaining how sickness in small teams could have a larger percentage impact on individual targets. It was also confirmed that Education and Skills performance figures did not include schools' data.

In concluding, the Chair noted the significant actions undertaken, acknowledged the controls in place to manage risks and suggested continual monitoring would be beneficial. She thanked officers for an excellent presentation.

**RESOLVED** that, the position on absence management be noted.

## **46 2018/19 QUARTER 2 CORPORATE RISK REPORT**

A report was considered from the Director of Finance (Section 151 Officer) regarding the 2018/19 Quarter 2 Corporate Risk Report. The report provided members with a progress update on the Council's 2018/19 corporate risks for the second quarter to 30 September 2018. Members received a high level summary of corporate risks, detailed register of all individual corporate risks and a Risk Management Improvement Plan.

The Director of Finance (s151 Officer) drew members' attention to the twelve risks and advised that scores had remained the same since the last quarter, the new work being implemented to better manage the risks was outlined and she emphasised the increasing commitment to risk management in the Council. There were no new emerging risks. She highlighted risk management activity in service areas, commenting on anti-fraud work and the work of the Risk Focus Group. The Risk Register had been considered at Cabinet Briefing where possible emerging risks such as HS2 had been identified.

A member raised the sum of £12m that had recently been awarded as part of the Autumn Statement to Cumbria for Highways projects and the possibility of it being clawed back if not spent by the deadline. He questioned whether the process was

being managed. The Director of Finance (Section 151 Officer) reported on how the money had been awarded, how the service proposed to spend the allocation, the implications for it being awarded at this point in the year and advised that expenditure would be signed off by herself in accordance with the grant conditions.

A member queried the Learning Disability Partnership Arrangements Quarter 3 planned improvements to control and measures to manage the risk. The Assistant Director - Strategic Commissioning explained the procedure when an individual was detained more the 28 days and the responsibility for funding for S117 aftercare. Members were informed that an up to date and robust policy was now being completed.

The 'Speak Up' arrangements were clarified for members by the Monitoring Officer after a member queried who staff would report their concerns to. A member suggested that officers speak to their local member if the issue was with a senior officer however following a short discussion it was noted that members did not fulfil a management function. The Monitoring Officer explained the Whistleblowing Policy and the channels officers could go through when whistleblowing.

**RESOLVED** that

- 1 the content of the Quarter 2 report be noted and it be agreed that it provides sufficient assurance that the current Risk Management arrangements are both robust and effective;
- 2 a presentation be received on Risk 2: Workforce Capability, Skills, Relationships, Safety and Wellbeing and more specifically in relation to staff absence that sets out the revised approach to the management of Corporate Risks;
- 3 The Chair and Vice Chair to identify a risk to be considered at the 14 March 2019 meeting.

**47 ANTI-FRAUD, BRIBERY & CORRUPTION POLICY**

A report was considered from the Chief Legal Officer (Monitoring Officer) on the Anti- Fraud, Bribery and Corruption Policy. The report proposed revisions to the Council's current Anti-Fraud, Bribery and Corruption Policy at Part 6D of the Constitution.

The Chief Legal Officer (Monitoring Officer) advised the Committee that part of its role was to focus on anti-fraud therefore the policy had been brought before members for review. Members' attention was drawn to the current and proposed policy. The main changes were highlighted. Changes had been made to reflect changes to the law with money laundering and tax evasion now being included whilst the wording for data matching for the purpose of Fraud prevention had been reviewed. The process of changing the policy was outlined for members. The policy would be considered by full Council in January 2019.

A short discussion took place on whether the line of reporting was appropriate. The Chief Legal Officer (Monitoring Officer) suggested that at 10.2 of the Policy, the words ' or Section 151 Officer' be added after 'next most senior manager in your Directorate'. The Director of Finance (Section 151 Officer) considered that this provided clarity. The Engagement Lead – Grant Thornton suggested that wording be sufficiently loose in order for the Policy to be able to respond to a number of scenarios.

In considering corruption, a member considered the Policy's definition to be too narrow. A short discussion took place about the award of contracts and that the employment of contractors was a risk to the Council. A member emphasised that the Committee needed to be assured that the policy would be able to cover all anti-fraud, bribery and corruption scenarios. The Chair asked officers to take members' comments on board.

The Chief Legal Officer (Monitoring Officer) reassured members that the Policy was based on law and any issues with contracts should be picked up under the Code of Conduct and in the spirit of the Nolan Principles.

**RESOLVED** that,

- 1 The draft Anti-Fraud, Bribery and Corruption Policy be approved subject to the addition at 10.2 of the policy being amended to read 'next most senior manager in your Directorate or Section 151 Officer';
- 2 It be noted that as a policy which is included in the Council's Constitution, the report requires adoption by full Council.

#### **48 INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER 2018**

A report was considered from the (Acting) Group Audit Manager which provided a summary of the work of Internal Audit in the three months from 1 August to 31 October 2018. Key points were raised as follows – work was progressing on the completion of outstanding 2017/18 audit work and on work from the 2018/19 audit plan, reviews in Adults (health and Care) included two final reports, two issued in draft and fieldwork was underway on two other Audits and a number of proposed changes to the Audit Plan had been agreed by management.

The recently appointed Group Audit Manager was introduced to members. The Acting Audit Manager guided members through the report. Members were provided with a summary on the final reports issued to 31 October 2018 and of the five currently at draft report stage. There had been a slight delay in finalising some reports due to the recent amalgamation of the Children's and Adults Directorates. Members' attention was drawn to amendments to the Approved Audit Plan and members were advised that their approval was sought to agree the changes.

The Chair proposed that the suggested amendments to the Plan be agreed. It was clarified that Follow up - Care Act implementation would not be undertaken because the points raised were for application on future projects. The Chair raised the issue of the recommendations made in the initial audit as they identified process improvements. She queried how the outcomes of the initial audit would be captured because if they weren't addressed, it raised questions as to why the audit was originally undertaken. The Director of Finance (Section 151 Officer) advised that the applicability of the recommendations and actions made at the time would be reviewed to check if they were still relevant. She referred to the work undertaken in the Care Act Audit and the opportunity to use that to identify where general points of approach and practice could be applied across the People directorate. In response to the Chair raising that the work of the Audit team should not be lost, the Group Audit Manager advised that he would review the recommendations and identify any work which should be followed up.

Discussion took place on the audit of Cumbria Local Safeguarding Children Board (data quality). It was queried whether the peer review undertaken by the LGA would have the same rigour as that of the Council's Internal Audit. It was noted that officers had not seen the Terms of Reference of the Peer Review so could not answer this question. The Audit Manager raised a further issue that management in Children's Services had advised that they did not have a role in quality assuring data provided to the Local Safeguarding Children Board.

In referring to the proposal not to undertake the Organisational Culture Audit, the Chair commented on the organisational culture of the County Council querying whether issues related to certain aspects in certain directorates or if they occurred across all directorates. She commented on the number of times a year members were given briefings and advised that issues related to cultural challenges. The Audit Manager explained that following Internal Audit's discussions with the Chief Executive, it had been agreed not to undertake an audit of organisational culture. The Group Audit Manager explained the challenges of undertaking such an audit.

It was highlighted that the internal audit performance on audits completed within budget had dropped in Quarter 2 as audits, particularly follow ups, were taking longer to undertake and targets were proving to be challenging.

A member raised the adequacy of officer training for software used by the Council. The Director of Finance (Section 151 Officer) explained that this would be brought to the Corporate Management Team's attention.

**RESOLVED** that,

- 1 The progress and outcomes of internal audit work be noted;
- 2 Changes to the internal audit plan as set out at Paragraph 4.11 of the report to be reconsidered by the Group Audit Manager.

## **49 DRAFT ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20**

A report was considered from the Director of Finance (Section 151 Officer) regarding the Draft Annual Treasury Management Strategy Statement 2019/20. The report advised that the CIPFA Treasury Management Code and Prudential Code required the Council to determine its Treasury Strategy and Prudential Indicators on an annual basis in advance of the new financial year. The report asked for the Audit and Assurance Committee to consider and approve the draft Treasury Management Strategy Statement 2019/20 in principle or suggest amendments for consideration before the Strategy Statement's finalisation which would then be submitted to full Council for approval in February 2019.

The Group Finance Manager - Pensions Investments & Insurance gave a presentation which advised that the Treasury Management Strategy Statement was comprised of four main sections - the Treasury Management Strategy (including Borrowing Strategy), Annual Investment Strategy, Capital Plans & Prudential Indicators and the Minimum Revenue Provision (MRP) Policy. The presentation covered the following:

- Guidance documents
- Prudential and Treasury Management codes
- The Code's Reporting framework
- Development of the Strategy Statement
- The component sections of the Treasury Management Strategy Statement
- The Treasury Management Borrowing Strategy
- Current Debt Portfolio
- The Annual Investment Strategy
- Counterparties who the Council lends its money to
- The Investment Portfolio
- Capital Plans and Prudential Indicators
- Minimum Revenue Provision
- Capital Strategy
- A summary of the work currently being undertaken
- The next steps

He welcomed the opportunity to have a discussion with members who had knowledge of such a technical area. Members were reminded that the decision was in principle as the statement would be finalised by full Council and that the role of the Committee was to provide Council with assurance. The Group Finance Manager - Pensions Investments and Insurance assured members that the 2019/20 Treasury Management Strategy Statement was compliant with the CIPFA Treasury Management Code and the Prudential Code.

Members were advised that unless there were changes to CIPFA Treasury Management Code and the Prudential Code, the Annual Treasury Management Strategy Statement was similar each year. Figures in the report would be updated to the 31 December before its consideration by full Council.

The Committee had attended a training session on 5 December 2018 in order to support them to review the draft 2019/20 Treasury Management Strategy which had been welcomed by members as it was a very technical area and helped members make informed comments. The Chair considered the Strategy to be one of the main pillars of the assurance framework for the Committee; all checks, balances and mitigated of risks had been clearly laid out in the document.

It was clarified for members by the Group Finance Manager - Pensions Investments & Insurance that credit ratings were part of the comprehensive advice received from the financial advisors that the County Council, paid for by the County Council. The Director of Finance (Section 151 Officer) drew members' attention to recent deposits with the Qatar National Bank which had been returned on time. She commented on the comprehensive advice received from the Council's long term treasury advisors which had given her and the Treasury Management Team confidence in this matter.

**RESOLVED** that, the Audit and Assurance Committee approve the draft Treasury Management Strategy Statement for 2019/20 in principle as set out in the report.

## **50 GRANT THORNTON ITEMS**

### **(A) Audit Progress Report**

The Engagement Lead for Grant Thornton presented the Audit Progress Report and Sector Update.

The Engagement Lead highlighted the following:

- The Council's annual Teacher's Pension return had been signed off with no issues arising that required being brought to the attention of the Committee
- The latest trends in local authority trading companies
- The outcome of the bid to apply for powers to retain the growth in business rates was still awaited

It was raised that the report was helpful as it provided information that members may not have been aware of.

**RESOLVED** that, the report be noted.

## **51 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE**

The Forward Plan for the Committee was noted.

The Chair thanked officers and members for their work undertaken on Audit and Assurance and their support to the work of the Committee.

**52 DATE AND TIME OF NEXT MEETING**

The next meeting of the Committee would be held on 14 March 2019 at Cumbria House, Carlisle at 10.30am

The meeting ended at 1.50 pm