

AUDIT AND GOVERNANCE COMMITTEE

Tuesday 27th January 2009

COUNCILLORS PRESENT FOR THE WHOLE OF THE MEETING: The Chair (Councillor Clark Brundin), the Vice-Chair (Councillor Craig Simmons) and Councillor Stephen Brown.

COUNCILLORS PRESENT FOR PART OF THE MEETING: Councillors Beverly Hazell and Bryan Keen.

OFFICERS PRESENT FOR THE WHOLE OF THE MEETING: Mathew Metcalfe and Lindsay Cane (Legal and Democratic Services), Tim Sadler (Executive Director, City Services), Penny Gardner (Finance), Annabel Ellin, Jez Leaper and Saverio Della Rocca (KPMG), John Bull, Maria Grindley and Hannah Ormstone (Audit Commission).

OFFICERS PRESENT FOR PART OF THE MEETING: Simon Howick (Human Resources), Jill Cramer and Tony Payne (Environmental Development).

50. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Maureen Christian and Oscar Van Nooijen.

51. DECLARATIONS OF INTEREST

None declared.

52. NOTIFICATION OF URGENT BUSINESS

None notified.

53. INTERNAL AUDIT PROGRESS 2008/09 – KPMG – PROGRESS, FINDINGS AND PERFORMANCE

The Head of Finance submitted a report (previously circulated, now appended) on behalf of KPMG, the Council's Internal Auditors, which gave a statement of the progress made against the 2008/09 Internal Audit Plan and detailed the findings from the following audits:

- (i) Statement of Progress
- (ii) Treasury Management
- (iii) Benefits
- (iv) Local Taxation
- (v) Payroll
- (vi) Performance Information
- (vii) Audit and Governance Committee reporting schedule

(i) Statement of Progress against the Internal Audit Plan

Saverio Della Rocca said that the Audit Plan was on target to be completed. He said there were some unallocated audit days with regard to value for money work and if these days were not used, then the fee charged to the Council would be reduced.

Councillor Simmons asked what the process was for management to include reviews in the Plan especially with regard to the Single Status audit. In response Penny Gardner said that this had arisen during the year, but she could not recall this change in the Plan coming to the Audit and Governance Committee. Councillor Brundin added that in future, the Chair of the Committee should be informed of any additions/deletions to the Plan.

(ii) Treasury Management

KPMG had given the Treasury Management a “Good” rating following an audit of this area.

Councillor Simmons asked with regard to the Icelandic Bank collapse issue, whether the Council could claim against the Council’s investment advisors. In response Penny Gardner said it was extremely unlikely and not seen as an option. Jez Leaper added that the Local Government Association was looking into the issue, as many local authorities had been affected by the collapse of the Icelandic Banks.

(iii) Benefits

KPMG had given Benefits a “Good” rating following the audit of this area.

(iv) Local Taxation

KPMG had given Local Taxation a “Good” rating following the audit of this area.

(v) Payroll

KPMG had given Payroll a “Weak” rating.

Councillor Brundin was not happy with the rating, but felt the primary concern now was to implement the recommendations from the audit. Simon Howick agreed with Councillor Brundin, and was optimistic that the recommendations were sound and achievable. He added that work had already commenced on implementation, including recommendations that had been highlighted in a previous audit and now included in this one.

In response to questions concerning staff and skills resources, Simon Howick felt he had the required staff and skills. There had been some resourcing issues, but on the whole the recommendations were simple and quick to implement. He did however warn that some of the recommendations

were dependent on the new Human Resources/Payroll Systems being installed and this would be taken into account as the implementation process progressed.

Councillor Keen asked if new staff had been appointed. In response, Simon Howick said there had been some changes in the Section, but generally the Section was well thought off across the Council and added that the issues concerned systems control rather than staff capability.

Councillor Brown asked what assessment grade would be given if all of the recommendations were implemented. In response Annabel Ellin said that if all of the recommendations were implemented and there was 100% compliance then a "Good" rating could be expected.

(vi) Performance Information

KPMG highlighted the performance so far for the 2008/09 Audit Year and that targets were being met.

The Committee agreed:

- (1) With regard to the Statement of Progress:
 - (a) To note the progress of the Plan;
 - (b) That the Chair should be notified of any additions or deletions to the Plan.
- (2) With regard to the Treasury Management audit, to welcome the "Good" rating following this audit.
- (3) With regard to the Benefits audit, to welcome the "Good" rating following this audit.
- (4) With regard to the Local Taxation audit, to welcome the "Good" rating following this audit.
- (5) With regard to the Payroll audit, to:
 - (a) Note that the Service had been given an overall rating of "Weak",
 - (b) To ask the Head of Human Resources to submit a progress report to the March 2009 meeting of the Committee with details of how the implementation of the recommendations was progressing.
- (6) With regard to the Performance Statement, to note the information and welcome the improvement in management responses to audit reports being received by the Internal Auditors within the 15 day target.

- (7) With regard to the Audit and Governance Committee reporting schedule, to note the information.

54. VALUE FOR MONEY (VFM) PROGRAMME – HOUSING REPAIRS FOLLOW-UP - KPMG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of KPMG, the Council's Internal Auditors. The report provided a follow-up to the original report presented to the Committee in July 2007, following an audit of the Council's repairs and maintenance service.

Jez Leaper from KPMG introduced the report and said he was encouraged by the fact that Oxford City Homes (OCH) had taken their progress on implementing the original recommendations through the Council's scrutiny process rather than waiting for KPMG to return. He highlighted issues such as the possible introduction of "total reward statements" for all Oxford City Homes employees, which could also be considered for the rest of the Council's employees. He felt support costs, would need to be considered at a corporate level due to the possibility of outsourcing the provision of Leisure Services. Overall he was pleased with the attitude and actions taken by OCH.

Councillor Brundin said that voids had been affected by the move to Choice Based Lettings (CBL) and this was an area that required monitoring. Tim Sadler added that there was a piece of work on this currently underway and that a 2 week turn around for voids in CBL was not uncommon.

Councillor Simmons expected to see value for money benchmarking as part of the report. He felt that the report was not a follow-up and that it should have been more informative and presented as a progress report instead. He would have liked to have seen conclusions and actions required for the issues raised.

Tim Sadler said that this report was not the end of the process in OCH and Saverio Della Rocca added that none of the actions had been closed off and that the report had tried to convey a point on a journey. Councillor Simmons said that conclusions which highlighted areas of particular concern would be helpful.

Councillor Brown, with regard to the sickness absence recommendations, said that this was not just OCH, but across the Council. He was disappointed that there had been little progress in reducing the sickness levels, despite all of the interventions that had taken place by management.

Councillor Keen said that sickness absence was an issue that kept coming back to Committees. Councillor Brundin said that the newly appointed Head of Human Resources should be given time to review the current position in the Council, before further reports were submitted to the Committee.

The Committee agreed:

- (a) To note the report;

- (b) To request the Executive Director, City Services and the Head of Human Resources to investigate further the possibility of rolling out across the Council “total reward statements” for all employees;
- (c) To request that further information be provided by KPMG on this audit report, highlighting specific areas of concerns and actions that should be taken.

55. VALUE FOR MONEY (VFM) PROGRAMME – CAPITAL PROGRAMME FOLLOW-UP - KPMG

The Head of Finance submitted a report (previously circulated, now appended), on behalf of KPMG, the Council’s Internal Auditors, which provided a follow-up to a review conducted by KPMG in early 2007.

Jez Leaper from KPMG introduced the report. He said that circumstances had changed due to the current economic climate and that the scale of the programme had been reduced, which had eased the implementation of the recommendations. Because of this the management of the programme had not been fully tested.

With regard to the recommendations, Jez Leaper said more work was required on assessing all potential capital projects in terms of both feasibility and desirability and that the Council should develop a strict hierarchy of classifications for capital projects. He added that the Council did learn from its experiences on managing its capital programme, but more could be done, for example on outcomes. Did they, for example, achieve not just the objective of the project, but also the Council’s corporate objectives.

Councillor Simmons asked whether there was a cycle of market testing of property values. In response Tim Sadler said that the Head of Property did look in a critical way at what the Council wished to dispose of and approached, for example, certain sectors which might be interested in acquiring the asset that the Council wanted to sell.

The Committee agreed to note the report.

56. PROGRESS REPORT 2008/09 AUDIT PLAN – AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended), on behalf of the Audit Commission, which detailed the progress of the Audit Commission with regard to their plan of Audits for 2008/09.

John Bull from the Audit Commission introduced the report.

The Committee agreed to note the report.

57. USE OF RESOURCES ASSESSMENT – AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission, which detailed the outcome of the fourth assessment carried out at the Council by the Audit Commission and the last under the Comprehensive Performance Assessment (CPA) framework.

Maria Grindley from the Audit Commission introduced the report and said that a further final report would be issued. She said that the message to be taken from the report was that of continued improvements throughout the year and this had been reflected in the scores awarded. She added that she was working with Council Officers on financial reporting and met with them on a fortnightly basis.

In response to questions concerning the scoring and other local authorities, Maria Grindley said Councils that received a score of 4 across the board, would be challenged by the new framework that would be introduced, replacing the CPA.

Councillor Simmons asked what methodology was used for the scoring. In response Maria Grindley said for this use of resources, a weighting methodology had been used. She said she was not sure at this stage how the new use of resources would be scored as this was still being consulted on.

The Committee agreed to note the report

58. TAXI LICENSING AUDIT – ACTION PLAN UPDATE

The Head of Environmental Development submitted a report (previously circulated, now appended), which detailed the work currently taking place to improve the service and future actions for implementing the recommendations from the original KPMG audit report submitted to the Committee in September 2008.

Tony Payne from Environmental Development attended the meeting and introduced the report. He said that the recommendations table had been reordered into priority order and that all of the recommendations with a January 2009 implementation target had been achieved apart from one, which was due to software issues.

Councillor Brundin was pleased that the concerns and points raised at the previous meeting of the Committee had been worked on and that Officers and the Council was moving in the right direction.

Councillor Simmons with regard to application checks, said he had not seen any mention of this in the 2009/2010 budget papers, and that he was concerned that drivers would have a licence, without having had a CRB check done on them. In response Tony Payne said that a CRB check was undertaken when an application was made and then checked every 3 years.

In response to questions, Jill Cramer said the Council liaised with the Police through a Liaison Officer and that there was legislation which gave the Council the powers to revoke a licence with immediate effect. She added that sex offenders

would not receive a license. She further added that while CRB checks were not undertaken every year, DVLA checks were.

Councillor Brundin questioned the need to undertake CRB checks annually when the nationally agreed best practice was for them to be done every 3 years.

The Committee agreed:

- (a) To note the report;
- (b) That CRB checks should not be conducted annually, but every 3 years, in line with nationally agreed best practice;
- (c) That the Head of Environmental Development submit a further report to the June 2009 meeting, detailing the progress on implementing all of the recommendations from the previous audit.

59. CORPORATE RISK REGISTER – QUARTER 3 MONITORING

The Head of Finance submitted a report (previously circulated, now appended), which detailed Quarter 3 of the Corporate Risk Register and Risk Status.

Penny Gardner, Head of Finance introduced the report and said that the Council was managing its way through the current global economic problems being experienced.

Councillor Brundin, said it was pleasing to see that the Risk Register and risk management was now in place and was a useful tool for management.

Maria Grindley said a Risk Register with items in the red, was challenging on the use of resources, but if everything was in the green, then the question would be whether the risk was being managed properly.

Councillor Brundin said the aim was not necessarily to reduce risk, but to analyse the risk and take appropriate action. Annabel Ellin added that some local authorities had a target which set a level at which a risk was acceptable.

Councillor Simmons said it would be helpful to know the process of assessing risk and that this should be included in future reports.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance to include in future reports information on the process of assessing risk.

60. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 25th November 2008.

61. MATTERS ARISING FROM THE MINUTES

None were raised.

62. DATES OF FUTURE MEETINGS

The Committee noted that it would be meeting at 5.00pm on the following dates in the Town Hall:

Tuesday 24th March 2009

Tuesday 28th April 2009

63. MATTERS EXEMPT FROM PUBLICATION

The Committee agreed that, under Section 100A(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the remaining items of business on the grounds that their presence would involve the likely disclosure of information as described in paragraphs 2, 3 and 7 of Part I of Schedule 12A of the Act and to record that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Summary of business transacted on Part II of the agenda as required by Section 100C(2) of the Local Government Act 1972.

The Committee considered a report of the Head of Finance into allegations of internal fraud, and the outcomes, and agreed to note the report.

The meeting started at 5.00 pm and finished at 6.30 pm

NOT FOR PUBLICATION

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64. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES

The Head of Finance submitted a report (previously circulated, now appended), which detailed recent investigations and outcomes of cases of alleged fraud involving Oxford City Council staff.

The Committee agreed to note the report.