

AUDIT AND GOVERNANCE COMMITTEE

Tuesday 23rd March 2010

COUNCILLORS PRESENT FOR THE WHOLE OF THE MEETING: The Chair (Councillor Beverley Hazell), the Vice-Chair (Councillor Craig Simmons), Councillors Stephen Brown, Clark Brundin, Bryan Keen and Oscar Van Nooijen.

COUNCILLORS PRESENT FOR PART OF THE MEETING: Councillor Roy Darke and Councillor Bob Price.

OFFICERS PRESENT FOR THE WHOLE OF THE MEETING: The Chief Executive (Peter Sloman), Mathew Metcalfe and Jeremy Thomas (Law and Governance), Nigel Pursey and Sarah Fogden (Finance), Richard Bacon and Katherine Bennett (Pricewaterhousecoopers (PWC)), Maria Grindley and Alan Witty (Audit Commission).

OFFICERS PRESENT FOR PART OF THE MEETING: Simon Howick (People and Equalities) and Carol Quainton (Finance).

77. APOLOGIES FOR ABSENCE

No apologies were received.

78. DECLARATIONS OF INTEREST

None declared.

79. NOTIFICATION OF URGENT BUSINESS

None notified.

80. ACCOUNTS CLOSURE 2009/10

Nigel Pursey informed the Committee that an internal Account Closure Board had been established and met on 22nd March 2010. The overall message was that a great deal of work was underway, tackling many issues but it was too early to judge what the eventual outcome of the final accounts audit would be. He said that a detailed work list had been drawn up and work was under way on producing a higher level plan to be used as an overarching management tool. With regard to gaps in resources he said that additional temporary resources had been put in place following the interim closure of accounts which had been a very useful experience and which had identified some key areas of risk.

Nigel Pursey said that work continued on risk area such as fixed assets, system reconciliation and quality control of journals. He also said that Directors and Heads of Service were being fully briefed, raising a greater awareness of risks across the Council.

Sarah Fogden informed the Committee that this was the first week of the detailed closedown timetable. She had met with all of the accounting team and had held a seminar for staff to which 70 attended. She said that the interim audit would take place in April and she was working closely with the Audit Commission.

Councillor Simmons with regard to resources asked if the staff numbers were adequate and whether the skills required were there. In response Nigel Pursey said that resources had been brought in to “plug” gaps in key areas of risk. Some short term appointments had been made, but finance resources as a whole was an on going issue and he would be speaking to Jacqueline Yates, the new Corporate Director of Finance and Efficiency, who would need to address these issues following appointment, prior to her joining the Council.

Councillor Van Nooijen asked with regard to the quality of working papers what had gone wrong. In response Sarah Fogden said that the close down papers had been produced late last year. However this year, their production had been included as part of the closedown plan and all staff were made aware of this. She added that the preparation for closedown was very technical and if an issue arose officers did not hesitate to go to PWC for example and seek the technical support that the required.

Councillor Brown with regard to resources asked if Officers were waiting for Jacqueline Yates to arrive before any decisions were made. In response Peter Sloman said that there had been no restriction of resources on the closure of accounts this time, however it would have to be reviewed for the future to ensure that closedown is done more efficiently in the future. He added that it was right to bring in temporary staff, but Jacqueline Yates would need to get to know the service first, it would not be good to conduct a restructure of the service during closedown.

In response to questions concerning fixed assets, Nigel Pursey said that processes were being put in place for the better management of reconciliations as a whole.

Councillor Hazell asked if the production of the final accounts could be done on the first attempt. In response Sarah Fogden said that she was confident that this could be achieved and that Kelly Whitehead was working on this.

Richard Bacon from PWC said that within Oxford City Council there had been a shift of attitude and a focus on the processes. He said that PWC would do everything it could to support the Council and added that there were currently no issues outstanding that were not being dealt with.

Peter Sloman said that he had asked Finance to have a different approach on closedown. He said that the standards expected from the Council were very much higher than 10 years ago. He added that the Council needed to go on improving and that this had to go beyond the closedown of accounts.

The Committee agreed to thank Officers for their updates and to note the position.

81. ACCOUNTING POLICIES FOR 2009/10 YEAR END CLOSEDOWN – UNDER UNITED KINGDOM GENERALLY ACCEPTED ACCOUNTING POLICIES (UK GAAP)

The Head of Finance submitted a report (previously circulated, now appended) the purpose of which was to seek approval of the Accounting Policies as the Council's framework for closedown and presentation of the Final Accounts for the financial year ended 31st March 2010.

The Committee agreed to approve the Accounting Policies for the 2009/10 financial year.

82. AUDIT COMMISSION – PROGRESS REPORT

The Head of Finance submitted a report (previously circulated, now appended), on behalf of the Audit Commission, which set out the progress that the Audit Commission had made in delivering the work set out in the 2009/10 audit plans.

The Committee agreed to note the report.

83. AUDIT OPINION MEMORANDUM – AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission, which recorded matters arising from the audit of the Councils accounts for the year ended 31st March 2009.

The Committee agreed to note the report.

84. AUDIT COMMISSION – 2009/10 OPINION PLAN

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission, which set out the audit risks.

The Committee agreed to note the report.

85. AUDIT COMMISSION – 2010/11 FEE

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission, the purpose of which was to confirm the audit and inspection work and fees proposed for the 2010/11 financial year at the City Council.

The Committee agreed to note the 2010/11 fee.

86. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT – AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission. The report summarised the findings from the certification of the 2008/09 claims and included the messages arising from the assessment and the Councils arrangements for preparing claims and returns and information on claims that were amended or qualified.

Maria Grindley from the Audit Commission introduced the report and said that this was a new report. Grant claims were both small and large and the Audit Commission felt that it was important to pull together the claims. She added that qualification was different to the Audit Opinion and that an Action Plan was in place and she continued to have discussions with Officers.

The Committee agreed to note the report.

87. INTERNAL AUDIT SUMMARY REPORT AND FINAL 2010/11 PLAN – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditor's. The report provided an update of the work undertaken as part of the 2009/10 Internal Audit Plan and detailed the proposed 2010/11 Internal Audit Plan.

The Committee agreed to note the report and approve the Internal Audit Plan for 2010/11.

88. CITY WORKS UPDATE – PRICEWATERHOUSECOOPERS (PWC)

Katherine Bennett from PWC informed the Committee that the draft review report had been issued to the Council. She commented that during the review the issue of the Fleet Plan System had been highlighted with regard to purchase orders and invoices. The system was being used as a purchase system when which it should not have been, however an Action Plan was now in place to deal with this.

The Committee agreed to note the update.

89. PAYROLL REVIEW – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended), on behalf of the Council's Internal Auditors. The report detailed the findings of a review of Payroll that was undertaken as part of the 2009/10 Internal Audit Plan.

Katherine Bennett from PWC introduced the report and said that PWC were moderately happy. A new HR system would be operational in April that would offer greater functionality.

Simon Howick agreed with the findings of PWC and said that the new system was about moving forward and not about 2009/10. He added that a great deal of the recommendations from the previous audit had now been implemented.

The Committee agreed to note the report.

90. CAR PARKING REVIEW – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors. The report detailed the findings of a review into Car Parking that was undertaken as part of the 2009/10 Internal Audit Plan.

Katherine Bennett from PWC introduced the report.

The Committee agreed to note the report and the "moderate" rating given to the review outcomes.

91. DEBTORS – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors. The report detailed the findings of a review of Debtors undertaken as part of the 2009/10 Internal Audit Plan.

Katherine Bennett from PWC introduced the report.

During the discussion the issue of inadequate segregation of duties which could lead to a greater risk of fraud and misappropriation was discussed. In response to questions from Members, Richard Bacon said that it was an issue of management judgment on the allocation of resources when dealing with large amounts of money, however resources should be in places and there were ways to implement controls even in smaller departments. Sarah Fogden in response to further questions said that there was a devolved Finance Team in City Works and that some of the staff had been transferred to her team which should improve the situation.

Peter Sloman said there were issues with regard to management capacity within City Works and whether the lack of capacity prevented the service from moving forward. He said that if the service was kept in-house, consideration would have to be given to a radical restructuring of the service.

Councillor Brundin said that the Audit and Governance Committee had for many years been trying to get a review of City Works carried out and that it was long overdue, in part to resistance with City Works itself and in hindsight the Committee should have ignored this and pressed ahead regardless.

The Committee agreed to note the report.

92. ASSESSMENT OF GOVERNANCE ARRANGEMENTS – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors. The report detailed the findings of a review that was undertaken as part of the 2009/10 Internal Audit Plan.

Katherine Bennett from PWC introduced the report.

The Committee agreed:

- (a) To note the report;
- (b) That the survey should be conducted every two years and be part of the Members induction process;
- (c) That comparisons with other Local Authorities would be useful background information when studying the results.

93. LEISURE CENTRE CONTRACT – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council Internal Auditors. The report detailed the findings of a review into the Leisure Centre Contract that was undertaken as part of the 2009/10 Internal Audit Plan.

The Committee agreed to note the report.

94. HOUSING RENTS – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors. The report detailed the findings of a review into Housing Rents, which was undertaken as part of the 2009/10 Internal Audit Plan.

The Committee agreed to note the report and to commend the staff at Oxford City Homes for their work on achieving a "high" Assurance rating.

95. PERFORMANCE MEASUREMENT – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors. The report detailed the findings of a review of Performance Measurement and was undertaken as part of the 2009/10 Internal Audit Plan.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report.

Peter Sloman said that in the 2010/11 Internal Audit Plan an additional 50 had been added to go through individual performance indicators with 100% of Corporate Indicators being reviewed which was a cultural shift for the Council and a move in the right direction.

The Committee agreed to note the report.

96. NATIONAL FRAUD INITIATIVE (NFI) UPDATE

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the current position, outcomes and predictions in regard to the Audit Commissions 2008 National Fraud Initiative.

Carol Quinton attended the meeting and introduced the report.

The Committee agreed to note the report.

97. SUMMARY OF QUARTER 3, 2009 CORPORATE RISK REGISTER (CRR) AND SERVICE RISK REGISTER (SRR) UPDATES

The Head of Finance submitted a report (previously circulated, now appended) which provided confirmation of the completion of the quarterly update to the Corporate Risk Register (CRR) and the Services Risk Register (SRR) and provided a summary of this updates submitted for quarter 3, 2009/10.

The Committee agreed to note the report.

98. RISK MANAGEMENT STRATEGY AND OPERATING FRAMEWORK

The Head of Finance submitted a report (previously circulated, now appended) which sought approval of the new Risk Management Strategy and the noting of the adoption of the New Risk Management Operating Framework.

Sarah Fogden introduced the report and said that the Audit and Governance Committee no longer had responsibility for approving the strategy, which now fell to the City Executive Board and as such would become more embedded within the Council. However she said that the Audit and Governance Committee would still comment on the strategy.

The Committee agreed to note the position.

99. USE OF RESOURCES

The Committee noted that a full update and report would be submitted to the April 2010 meeting of the Audit and Governance Committee.

100. FUTURE REPORTS TO THE CITY EXECUTIVE BOARD

The Chair informed the Committee that in order to allow the City Executive Board to be aware of the work of the Audit and Governance Committee and to assist in the work of the City Executive Board, a report would be prepared and submitted to it on an annual basis. She said that this would not change the responsibilities of the Audit and Governance Committee, but be an information report.

The Committee agreed to approve the submission of an annual report on the work of the Audit and Governance Committee to both the City Executive Board and Full Council for information.

101. AUDIT AND GOVERNANCE WORKING GROUP - NOTES

The Head of Law and Governance submitted (previously circulated, now appended) notes from the Audit and Governance Working Groups meetings held on 16th December 2009 and 25th February 2010.

The Committee agreed to note the information.

102. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 26th January 2010.

103. MATTERS ARISING FROM THE MINUTES

None were raised.

104. DATES OF FUTURE MEETINGS

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

Council Year 2009/10

Tuesday 27th April 2010

Council Year 2010/11

Thursday 20th May 2010 (Special meeting to elect the Chair and Vice-Chair for 2010/11)

Monday 28th June 2010

Thursday 23rd September 2010

Monday 22nd November 2010

Monday 31st January 2011

Monday 28th March 2011

105. FORWARD PLAN

The Committee agreed to note the following items which would be submitted to a future meeting of the Committee.

- (1) Business Continuity – Pricewaterhousecoopers – April 2010
- (2) VAT – Pricewaterhousecoopers – April 2010
- (3) Equality and Diversity – Peter McQuitty (OCC) – April 2010
- (4) Use of Resources – Nigel Pursey (OCC) – April 2010
- (5) Reports to City Executive Board – Nigel Pursey (OCC) – April 2010
- (6) Collection Fund (Council Tax and Non-Domestic Rates) – Follow up on the progress of actions regarding medium and high issues – Head of Finance – September 2010
- (7) Skills required by members of the Audit and Governance Committee.

106. 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 item 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.

107. 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.

The meeting started at 5.00 pm and finished at 7.10 pm