

AUDIT AND GOVERNANCE COMMITTEE

Monday 31st January 2011

COUNCILLORS PRESENT FOR THE WHOLE OF THE MEETING: The Chair (Councillor Beverley Hazell), Councillors Alan Armitage (attending as a substitute for Councillor Clark Brundin), Roy Darke, Bryan Keen, Scott Seamons and David Williams.

COUNCILLORS PRESENT FOR PART OF THE MEETING: Councillor Stephen Brown (attending as a substitute for Councillor David Rundle)

OFFICERS PRESENT FOR THE WHOLE OF THE MEETING: Mathew Metcalfe and Jeremy Thomas (Law and Governance), Jacqueline Yates (Director, Finance and Efficiency), Nigel Kennedy (Head of Finance), Anna Winship and Kelly Dawson (Finance), Maria Grindley and Alan Witty (Audit Commission), Katherine Bennett and Christopher Dickens (Pricewaterhousecoopers).

OFFICERS PRESENT FOR PART OF THE MEETING: Graham Bourton (Head of Direct Services), Roy Summers (Direct Services) and Carol Quainton (Finance).

64. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Clark Brundin (Councillor Alan Armitage attended as a substitute) and David Rundle (Councillor Stephen Brown attended as a substitute).

65. DECLARATIONS OF INTEREST

None declared.

66. INTERNAL AUDIT SUMMARY REPORT – 2010/11 PLAN – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC), which provided an update of the work undertaken as part of the audit plan.

Katherine Bennett from PWC introduced the report and highlighted the following points:

- (i) With regard to Payroll – The report covered only the processes, a further report covering ICT would be submitted to a future meeting;
- (ii) Housing Benefit – There were issues concerning temporary staff, however further training was being provided to deal with this.

Katherine Bennett informed the Committee that the reporting framework would be changing from 1st April 2011, to a points system, which would be more transparent and allow for better comparisons. Christopher Dickens added that this new framework would also allow for trends to be highlighted.

Councillor Brown asked questions concerning the recovery of overpayments as there did not seem to be any arrangements for this in place. In response Christopher Dickens clarified the issue, explaining that “no arrangements” meant that there were no targeted actions to recover these payments.

Jacqueline Yates said that there was a great deal of work being done within Housing Benefits and around the Council in general on overpayments, however due to the restructuring currently underway, there was an element of distraction from the issue. She added that the way the Council operated with regard to Housing Benefit overpayments was to conduct its own investigations before contacting the clients. She had suggested a more proactive approach where clients were asked periodically to provide the Council with an update of their circumstances, rather than Officers instigating investigations which might not be necessary.

Jacqueline Yates drew the Committees attention to the Internal Audit Recommendations Tracker (recommendation IA206) which stated the actions underway to prevent/limit overpayments

“The council has invested in temporary staff and has procured a resilience contract to help deal with peaks in workload which, combined with a number of functional improvements delivered through our service improvement plan, has resulted in significant reductions in the volume of work outstanding (23% lower than same time last year). This investment has also delivered a significant improvement in our processing times (year to date average in June was 20 days, which has fallen to 16 days by the end of Oct - the result for Oct alone was 12 days). Furthermore, we will soon be training our pre-assessment team to identify cases that may lead to an overpayment so that these can be suspended at the scanning stage. This should limit any overpayments that arise once we are notified of the change. Of the £1.82m of overpayment debt referred to, £785,000 is new debt (debt raised Aug/Sept). In august invoices of £408,261 were raised which would move into recovery in October. The remaining balance is secured by CCJs but £900,000 of this has been identified as debts the Bailiff is unable to recover and we are in the process of submitting these for write off on the grounds of 'no means to enforce judgment'.

The Committee agreed to note the report.

67. CITY WORKS (TRADE WASTE) REVIEW – PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council’s Internal Auditors, Pricewaterhousecoopers (PWC) which details the findings a recent audit undertaken by the Council’s internal auditors. The Chair agreed to certify as urgent business in order for the implementation of any recommendations to progress as soon as possible.

Katherine Bennett (PWC) introduced the report and said that a Limited Assurance Opinion had been given to the audit and that two high risk issues were highlighted and covered in recommendations 7 and 11.

Councillor Hazell said that many of the recommendations should have been implemented by now and asked what the current position was. In response Graham Bourton said that he had inherited this Service Area and once the issues had been identified to him, he moved quickly to comply with the recommendations. Nigel Kennedy also added that he had also inherited services into his service area and he was holding detailed meetings with staff with regard to debtors.

Councillor Hazell highlighted the high risk area involving invoicing and payments and asked what the current position was. In response to the payments issue Jacqueline Yates said that work was underway, but there was an historical element to this work to unpick information which had not necessarily been recorded correctly in the past.

Roy Summers said that Direct Services (formerly City Works) and Finance had been working closely together on this and a permanent team had been established to deal with it. He added that overall the debt had reduced, but the unallocated elements had proved problematic.

Christopher Dickens suggested that consideration should be given to reviewing the implementation dates taking into account the recent and on-going restructures,

The Committee agreed:

- (a) To note the report and that Officers were progressing with the implementation of the recommendations;
- (b) To request that Officers liaise with Pricewaterhousecoopers to review the implementation dates for the recommendations, in light of the recent and on-going service area restructures.

68. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which detailed progress on the implementation of the audit.

Anna Winship introduced the report and informed the Committee that the recommendations from the City Works Trade Waste audit had not yet been reflected in this report. She also said that overall there were 23 “red” recommendations, but none of these were classed as high risk and apart from this there were no specific areas of concern.

Councillor Hazell asked questions concerning debtors and creditors. In response Jacqueline Yates said that as part of the centralisation of the Finance function she and Nigel Kennedy had been reviewing processes with staff and that the intention was to take the best from the current processes and create a single process through rationalisation and harmonisation going forward.

Councillor Brown highlighted that some of the recommendations in appendix B did not have a response next to them, in particular recommendation R22. In response Anna Winship said that she had not received responses from the relevant officers. Jacqueline Yates advised that the tracker would be reported to CMT going forward to raise the profile of outstanding recommendations.

Maria Grindley from the Audit Commission said that they would continue to undertake their own follow-up work on recommendations and added that the work on equality and diversity would be presented to the Council in June/July 2011. Councillor Armitage said that Scrutiny had received a report on equality and diversity from Peter McQuitty, but felt that more information should be sought from him on this issue.

The Committee agreed:

- (a) To note the report;
- (b) To request that the information is as complete as possible for future reports;
- (c) To request the Head of Finance to submit a report to the March 2011 meeting of the Audit and Governance Committee giving a brief overview of the work currently underway to deal with debtors and creditors.

69. TRANSITION OF THE COUNCIL'S ACCOUNTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CLOSEDOWN 2010/11

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress towards the transition of the Council's accounts to International Financial Reporting Standards (IFRS) and the timescales for completing this and the risks associated with transition.

Nigel Kennedy, Head of Finance introduced the report and said that a great deal of work had been undertaken to reach this point. However there was still work to be done on restating/adjusting the accounts.

Councillor Armitage asked questions concerning the classification of investment assets and training for members, which he felt would be a challenge with regard to attendance. In response Nigel Kennedy said that properties which were held for sale were in a separate classification under the IFRS rules. The classification of assets was not a problem, but the issue of determining whether a lease was financial or operational was and advice had been sought from the Audit Commission on this. Councillor Hazell added that all of the members of the Committee had been offered and attended IFRS training.

Councillor Hazell asked questions concerning component accounting. In response Nigel Kennedy said that a policy had been written to cover this. Christopher Dickens said that component accounting did not have to be done retrospectively and that guidance had been sought with regard to the Housing Revenue Account (HRA) assets which would be componentised soon. Nigel Kennedy further added that componentisation would be from 2010/11 onwards.

The Committee agreed to note the report.

70. AUDIT COMMISSION PROGRESS REPORT

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

Maria Grindley introduced the report and said that the objection which had been received on the Councils 2009/10 accounts, had been completed and no matters were outstanding. A completion letter had been sent to Mr Feaney (the objector) and the Council and the accounts would now be closed and the certificate issued.

The Committee agreed to note the report.

71. 2010/11 OPINION AUDIT – CHANGES YOU CAN EXPECT TO SEE – AUDIT COMMISSION

The Interim Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed what the Council could expect to see from the 2010/11 Opinion audit.

Alan Witty introduced the report and highlighted that the accounting estimates had been the bulk of the additional work.

With regard to related Party Transactions Jacqueline Yates said that historically this had been an area where the Council had struggled to obtain the information required and urged Members to encourage colleagues to respond on a timely basis to requests from Officers.

Councillor Brown highlighted the duplication of the information that Jacqueline Yates officers required and the information that was required on Members Interests by the Head of Law and Governance. In response Jeremy Thomas said that he would investigate if the duplication could be resolved.

The Committee agreed to note the report.

72. AUDIT OPINION PLAN – AUDIT COMMISSION

The Interim Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which set out the audit work proposed for the audit of financial statements and the value for money conclusion 2010/11.

Maria Grindley introduced the report and commented on the fee paid by the Council, which had reduced. She added that the Audit Commission wished to reduce the fee further and then make separate charges for any additional work undertaken. She further added that if the Councils risk rating reduced this would also mean a further reduction in the fee payable.

The Committee agreed to note the report.

73. JOINT WORKING PROTOCOL – FINANCIAL STATEMENTS AUDIT – AUDIT COMMISSION

The Interim Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed a joint protocol between the City Council and the Audit Commission.

Alan Witty introduced the report and said that the Audit Commission was committed to improving the final accounts process.

The Committee agreed to note the report.

74. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 22nd November 2010.

75. MATTERS ARISING FROM THE MINUTES

None raised.

76. DATES OF FUTURE MEETINGS

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

Monday 28th March 2011

77. 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.

77. 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 6.10 pm