

Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Monday 11 March 2019

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Committee members:

Councillor Fry (Chair)	Councillor Munkonge (Vice-Chair)
Councillor Corais	Councillor Gant
Councillor Lygo (for Councillor Tanner)	Councillor Rush
Councillor Wolff	

Officers:

Laura Bessell, Benefits Manager
Anita Bradley, Monitoring Officer
Ian Brooke, Head of Community Services
Aileen Carlisle, Interim Executive Director (Communities and Customers)
Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager
Jennifer Thompson, Committee and Members Services Officer
Scott Warner, Investigation Manager

Also present:

Gurpreet Dulay, BDO Internal Auditor
David Guest, Ernst & Young External Auditor

Apologies:

Councillor Tanner sent apologies.

35. Declarations of Interest

None

With the consent of the committee, the Chair varied the order of the agenda.

36. Avoiding Bribery Fraud and Corruption Policy March 2019

The Committee considered the report of the Head of Financial Services seeking approval of the new Avoiding Bribery, Fraud and Corruption Policy for adoption as Council policy.

Scott Warner (Investigations Manager) introduced the report and policy and answered questions.

Councillor Wolff stated that he considered the requirement at 16.4 (*to conduct documentary checks on all new employees to ascertain their eligibility to employment in accordance with the Asylum & Immigration Act 1996 s.8 (as amended)*) was not

compatible with a commitment to racial equality and should be removed as soon as legislation permitted. The Monitoring Officer reminded the committee that the checks made on new employees in accordance with the Asylum & Immigration Act 1996 are at present a lawful requirement. Should this change in the future, the Council would review the approach to the necessity and proportionality of these checks.

The Committee noted its remit extended to wider governance issues affecting the Council.

The Committee resolved:

- 1. to adopt the Avoiding Bribery, Fraud and Corruption Policy attached as Appendix A to the report; and**
- 2. that the checks outlined at 16.4 of the policy should be kept under review to ensure these did not exceed those required by legislation.**

37. Internal Audit 12 Fusion Leisure audit report

Councillor Rush arrived during this item.

The Committee considered the report of the internal auditor setting out the results of the audit of the control design and effectiveness with regards to the Council's oversight of/and Fusion Customer Service processes.

In summary, Gurpreet Dulay (BDO) in presenting the report and in answer to questions, and Ian Brooke (Head of Community Services) and Mark Munday (Fusion) in answer to questions reported:

1. Fusion had made improvements as a result of the concerns raised through tests of Fusion's online and social media presence, although the auditors had not received evidence all of these were addressed. Fusion had corrected inconsistencies on the website and was making changes to its social media campaigns and to its app.
2. Customer satisfaction surveys showed a positive picture of the overall service.
3. Officers were working with Fusion to complete the outstanding actions from the audit.
4. As a result the audit opinion had moved from Limited to Moderate to reflect the recent changes.
5. Some partnership meetings could be better organised and on some sites it can be challenging to get enough interest. There were some excellent representatives and stakeholders on the partnership groups.
6. Auditors had randomly picked 3 to 5 data sets from each site and verified the data. Fusion correctly and appropriately used industry standard measures such as counting a 5-a-side football booking as 10 participants regardless of the actual attendance; and a member who went to a yoga class and then for a swim only counted as one visit. In the samples tested standards were used correctly and the data was as robust as should be expected, but clearly differences in measurement standards could lead to discrepancies.

The Committee agreed:

1. to note that the report would also be considered by the Scrutiny Committee on 2 April as they had asked for a review of the reliability of the data;
2. that councillors' specific queries on the Fusion report should be sent to the Head of Financial Services who would collate these for response;
3. to request an in-depth follow up to ensure actions were completed and a further report covering the same aspects of Fusion's services be brought in 12 months' time either to this committee or to the Scrutiny Committee;
4. to ask the Head of Financial Services and the auditors to allocate time for specific audit tasks necessary to prepare this report.

The Committee noted the report, the presentations, and the points above.

38. Risk Management Quarterly Reporting as at 31 March 2019

The Committee considered and asked questions about the report of the Head of Financial Services giving an update on both corporate and service risks as at 31 March 2019.

Bill Lewis (Financial Accounting Manager) presented the report and answered questions.

The Committee noted:

- Risks around housing delivery and supply were partly mitigated by the council's Lord Mayor's deposit scheme and the rent guarantee scheme. The Oxfordshire Growth Deal had a significant role in housing delivery, and the Council had an opportunity to use the removal of the Housing Revenue Account (HRA) debt cap to significantly increase its housing.
- The auditors' comments that at other local authorities they audited the treasury management function narrative was similar but the risk rated lower.

The Committee noted a significant risk to the Council and the city from climate change, and requested a report setting out how to properly audit and evaluate the risks and mitigation of the effects of climate change including:

- the risks to the Council and to the city from climate change;
- evaluating the Council's own carbon use;
- skills and resources required to audit and manage the Council's reduction in carbon use;
- what data is required and how to collect this;
- how to audit and evaluate the Council's activities;
- evaluation of the risks and the effectiveness of possible and actual mitigation measures.

The Committee noted the report and comments.

The Committee asked for a report as set out above to be brought to a future meeting.

39. Ernst & Young: Certification of Claims and Returns for 2017-18

The Committee considered the report on the certification of the Housing Benefit subsidy claim from the external auditor, Ernst and Young.

David Guest (external auditor) presented the report and answered questions. Laura Bessell (Benefits Manager) and Nigel Kennedy (Head of Head of Financial Services) reported on progress and answered questions.

The Committee noted:

1. Accuracy checks were carried out on 100% of claims from students and the self-employed.
2. Robust and recently reviewed procedures were in place for processing claims.
3. There were concerns over recruitment of high-quality staff: there was a core of experienced and competent staff, but currently 5 vacancies in an establishment of 21.
4. There will still be some loss of subsidy in 2018/19 claim although as the error rate was reduced, the loss should also reduce.
5. The total amount of Housing Benefit paid out was £59m with a very small actual error rate, and a very small allowed error rate/ amount before subsidy was reclaimed and penalties applied.
6. The auditor's experience was that Oxford City Council's performance was similar to that of comparable city authorities handling a similarly complex caseload.

The Committee noted the report and comments, and thanked the Benefits Manager and her team for their work on the certification claim.

40. Ernst & Young: Audit Progress Report at March 2019

The Committee considered the report from the external auditor, Ernst and Young.

David Guest (external auditor) presented the report. In answer to questions he reported that he would be liaising with the auditors for the Council's wholly-owned companies. Incorporating these audited accounts into the Council's introduced complexity and risk around the audit process and final accounts, and with Oxford Direct Services because of the volume and value of transactions. There was a different process for incorporating the accounts of joint venture companies into Council's the accounts.

The Committee noted the report.

41. Internal Audit: Follow up of recommendations to March 2019

The Committee considered the report of the internal auditor setting out progress made on those recommendations raised by Internal Audit which are due for implementation.

Gurpreet Dulay (BDO) presented the report.

Aileen Carlisle (Interim Executive Director) reported that a lead officer and a compliance officer had joined the new Project Management Office (PMO) which would manage the capital programme and other large projects. Further appointments would fill identified skills gaps. The outstanding actions should be completed by the revised date.

The Committee noted the report and comments.

42. Internal Audit: Progress Report to March 2019

Councillors Gant and Lygo left just prior to the start of this item.

The Committee considered the report of the internal auditor setting out progress made against the 2018/19 internal audit plan and executive summaries of two audit reports. Gurpreet Dulay (BDO) presented the report and the auditors' findings.

The Committee noted the report.

43. Internal Audit: Audit Plan for 2019-20 and internal audit charter

The Committee considered the report of the internal auditor setting out the proposed Internal Audit plan for 2019-20 and the Internal Audit Charter.

Gurpreet Dulay (BDO) presented the draft plan and Charter.

The Committee asked for a revision of the timetable to allow time for an audit of the Council's work on mitigating climate change: to include overview of previous work; coherency of plans and corporate and strategic aims; adequacy of systems, controls and measures; adequacy of data for monitoring and improving performance.

The Committee asked that the review of events management include an assessment of the team's income generation strategy, cost/ income balance, and other opportunities for increasing income.

The Committee resolved to:

- 1. approve the Internal Audit plan for 2019-20 with the inclusion of an audit on climate change work, and changes to the scope of the events management review, and the points resulting from the audit of Fusion; and**
- 2. note the Internal Audit charter.**

44. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 10 January 2019 as a true and accurate record.

The Chair asked if a table of agreed actions could be included in the minutes.

45. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.15 pm and ended at 8.00 pm

Chair

Date: Wednesday 24 July 2019