

Agenda

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Audit and Governance Committee

Date: **Thursday 27 September 2012**

Time: **6.00 pm**

Place: **Town Hall**

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Audit and Governance Committee

Membership

Chair	Councillor Mike Rowley	Barton and Sandhills;
Vice-Chair	Councillor David Rundle	Headington;
Vice-Chair	Councillor Craig Simmons	St. Mary's;
	Councillor Tony Brett	Carfax;
	Councillor Mary Clarkson	Marston;
	Councillor Roy Darke	Headington Hill and Northway;
	Councillor James Fry	North;

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AGENDA

Pages

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

3 STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2012

This report was not available when the main agenda was printed and will be circulated separately prior to the meeting.

4 ANNUAL GOVERNANCE REPORT - AUDIT COMMISSION

This report was not available when the main agenda was printed and will be circulated separately prior to the meeting.

5 INTERNAL AUDIT SUMMARY REPORT - 2012/13 PLAN - PRICEWATERHOUSECOOPERS (PWC)

1 - 10

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provides an update of the work undertaken as part of the 2012/13 Audit Plan.

The Committee is asked to comment on and note the report.

6 INSURANCE REVIEW - PRICEWATERHOUSECOOPERS (PWC)

11 - 28

The Head of Finance and submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which sets out the findings from a review of insurance.

The Committee is asked to comment on and note the report.

7 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

29 - 40

The Head of Finance has submitted a report which updates the Committee on the progress made on the implementation of internal and external audit recommendations.

The Committee is asked to comment on and note the report.

8 MINUTES

41 - 46

Minutes from the meeting held on 28th June 2012.

9 DATES OF FUTURE MEETINGS

The Committee will meet on the following dates at 6.00pm in the Town Hall:

Thursday 29th November 2012

Thursday 28th February 2013

Thursday 18th April 2013

10 MATTERS EXEMPT FROM PUBLICATION

If the Committee wishes to exclude the press and the public from the meeting during consideration of any of the items on the exempt from publication part of the agenda, it will be necessary for the Board to pass a resolution in accordance with the provisions of Paragraph 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

DECLARING INTERESTS

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

¹ Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Internal audit summary report for Audit and Governance Committee

September 2012



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Plan outturn

2012/13 Audit Plan

We have undertaken work in accordance with the 2012/13 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in April 2012.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed 47 days out of a total planned 220 days (21%). This is in line with the agreed profile of work within our plan as the majority of financial systems work is performed in Q3 of the financial year. We commit to completing our plan ahead of the year end.

We have continued to review our Audit Plan on an ongoing basis to ensure that it meets Oxford City Council's ('the Council') risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 5 days in the Housing and Communities department to perform computer assisted audit techniques ('CAATS') on data held within the Northgate system to identify potential duplicate properties, people and tenants. The department has commissioned Northgate to perform this work, as a result the internal audit review has been cancelled;
- We have utilised the days from the Northgate review to increase the number of days allocated to health and safety. We have completed a value protection review of health and safety policies, procedures and controls across the Council. This second review will form part of our value enhancement work programme and focus on the completeness of health and safety data for housing and non-housing stock. This will include an assessment of ongoing monitoring performed by departments to ensure that records are complete and accurate and also of validation checks performed of work performed in-house and by external contractors in this area.

Reporting Activity and Progress

Final reports issued since the previous meeting

Health and Safety

We have classified our findings in this area as **Low Risk**, which is an improvement to our review performed during 2009/10. The objective of this review was to ensure that effective policies, processes and controls are in place to facilitate the implementation of health and safety across the Council.

One medium risk issue was raised: we found that some of the old manual assessments have not been entered into RiskEx (the Council's health and safety monitoring system) so the database is incomplete. This could mean that risks are not identified and that controls are not implemented / reviewed for effectiveness at an appropriate frequency. This could lead to legal issues and employees being unprotected.

Two low risk issues were identified surrounding the monitoring and recording of employee training and the use of key performance indicators ('KPIs') to challenge performance.

We will be performing an additional value enhancement review of health and safety data relating to the Council's housing and non-housing stock.

Insurance

We have classified our findings in this area as **Medium Risk**. Two medium risk issues were noted:

- There are no up-to-date centralised procedure notes in place outlining how claims should be processed. This has led to the adoption of different working practices across the Council; and
- Departments adopt different methods of monitoring claim status. Our audit work has identified that there is a risk this information is incomplete.

Four low risk issues have been identified surrounding the sharing of good practice and results from post-claim reviews performed by the Council's insurer, lack of management information and KPIs relating to insurance activity, inadequate security arrangements noted at one site and lack of formal review of insurance policies on an annual basis.

Fraud Risk Assessment**

The Council has a duty to seek to prevent and detect fraud and to investigate any allegations of fraud committed against the Council. It is the responsibility of Chief Officers within each of the relevant divisions and their managers to detect and report any suspicions of fraud and corruption. The objective of this review was to review the Council's arrangements to combat fraud using a checklist for local authorities developed by the National Fraud Authority ('NFA') as the basis of our assessment.

There are strengths in the way the Council considers fraud, particularly in Council Tax, Benefits and Housing, and the Council has an experienced investigations team. However, the Council's approach to exposure to the financial and reputational impact of significant fraud in other areas needs further development. Fraud risk assessment and fraud awareness training other than for Benefits staff have yet to become an integral part of Council's ongoing risk management arrangements.

There are good examples of fraud detection exercises both within and beyond Benefits, Housing and Council Tax. The cost and effect of fraud is reported regularly to the Audit and Governance Committee. These reports will become even more meaningful if they encompass an accurate picture of fraud attempts in those other areas of Council activity, and if they provide an outline of all the Council is doing to manage the risk of fraud

Going forward, there are challenges and opportunities for the Council in terms of fraud. These include many uncertainties about how the new national Single Fraud Investigation Service ('SFIS') will function. Some or all of the Council's investigative team might fall under the auspices of SFIS in the medium to long term and it is unclear what investigative resource and expertise this will leave under Council control. The Council is currently working together with the Oxfordshire Local Authorities exploring the possibilities of a County wide approach to a Corporate anti-fraud network. This might be a useful opportunity for the Council and its local partners to consider whether corporate fraud is a risk that should be managed effectively, and if it is what will be the most efficient way to utilise the resources available.

This was a 'value enhancement' review and as such no risk rating has been provided.

Repairs and Maintenance**

The Council provides most repairs and maintenance services for its owned stock in-house. This service is provided through elements of a tripartite commissioning agreement between the following three parties: Housing and Communities (the client); Direct Services (major delivery partner including significant commissioning); and Corporate Assets (commissioning arm for major works). This review sought to review the structure of this service and controls over repairs and maintenance. We also obtained information from other local authorities and housing providers on the systems used for housing assets and repairs services to assist the Council in rationalising systems as part of the fundamental service review.

A summary of our key observations is below:

- While most spend is in-house, some external contractors are used; improved contract management, pricing structures and a review of key contract terms against current practice may identify areas of value leakage and opportunities for savings.
- There are considerable anticipated cost savings based on fairly crude benchmarking but there is no clear indication of how these will be achieved. The Council has also highlighted that it is difficult to quantify what this review will cost however the Council knows who will undertake each part of the project so should be able to assess a large proportion of the backfill costs and where external support will be required.
- The key financial deliverables are profiles of current revenue/capital expenditure. The Council should also consider opportunities for future savings, how these will be achieved and the challenges, constraints and sensitivities to their achievement.
- The Council has identified that the useful life and condition of properties recorded in Codeman is inconsistent as this is left to the professional judgement of surveyors performing the work. We identified that a detailed analysis of this data would be useful to identify specific variances and trends. The Council is currently undertaking this analysis.
- Although the cost of in-house work is compared to the cost of external providers, this information is not shared between departments. Housing Services should liaise with Direct Services to gain access to the results of these assessments to help assist in their review of the structure of provision of services and give more insight into the costs of performing repairs and maintenance works.
- Departments may also wish to consider performing an analysis of actual time against time allocated for the performance of work to ensure it is being forecast accurately.
- Direct Services have dedicated KPIs to monitor repairs and maintenance, however, these are not holistic and there is no formal service level agreement ('SLA') between all parties agreeing the standard working practices expected by each department or departmental KPIs to drive repairs and maintenance performance. This would be a useful mechanism to help monitor, appraise and challenge performance and would enable each party to have visibility of the effectiveness of the repairs and maintenance process as a whole. The Council is currently in the process of implementing these indicators.

This was a 'value enhancement' review and as such no risk rating has been provided.

*** We anticipate that these reports will be issued in the period between papers for this meeting being submitted and the actual meeting date.*

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas: -

- Car Parking;
- Commercial Property;
- Garden Waste;
- Direct Payments.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of AuditDays	Status/Revisions to plan
A	Cross-cutting Processes		
A.1	General Ledger	5	To commence in Q3.
A.2	Creditors	5	To commence in Q3.
A.3	Budgetary Control and Efficiency Savings	5	To commence in Q3.
A.4	Collection Fund	10	To commence in Q3.
A.5	Housing Benefits	5	To commence in Q3.
A.6	Fixed Assets	5	To commence in Q4.
A.7	Car Parking	5	Fieldwork completed. Draft report issued.
A.9	Governance	2	To commence in Q4.
A.10	Risk Management and Performance	10	To commence in Q3.
A.12	Debtors	5	To commence in Q3.
A.14	Payroll	5	To commence in Q3.
	TOTAL	62	
B	Department Level		
B.1	Finance – Fixed Asset Register Implementation	5	To commence in Q4.
B.2	Finance – Year end Support	5	To commence in Q4.
B.3	Finance – Insurance	5	Fieldwork completed. Final report issued.
B.4	Corporate Assets – Commercial Property Follow Up	5	Fieldwork completed.
B.5	Housing and communities – Northgate testing	-	Review cancelled. Days to be utilised for Health and Safety review. See VE.7.
B.6	Housing and Communities – Direct Payments	7	Fieldwork commenced.
B.7	Business Improvement – Data Quality	8	To commence in Q3.
B.8	Direct Services – Garden Waste	5	Fieldwork commenced.
B.9	Law and Governance – Business Continuity	5	To commence in Q3.
B.10	ICT Strategy – Windows Licensing	13	To commence in Q3.
B.11	ICT – Lagan Post Implementation and Benefits Realization	10	To commence in Q3.
B.12	People and Equalities – Health and Safety	5	Fieldwork completed. Final report issued.
	TOTAL	73	
VE	Value Enhancement		
VE.1	Law and Governance – Member Development	10	To commence in Q3.
VE.2	Direct Services – Transport Services VfM and Trading Services	10	To commence in Q3.

VE.3	Business Improvement – P2P Implementation	5	To commence in Q3.
VE.4	Fraud Risk Assessment	5	Fieldwork completed. Final report issued.
VE.5	People and Equalities – Policy Review	10	To commence in Q4.
VE.6	Corporate Asset – Asset Management Strategy	5	To commence in Q3.
VE.7	Health and Safety – Housing and Communities and Corporate Assets	5	To commence in Q3.
	TOTAL	55	
	Follow up	5	Ongoing.
	Audit Management	25	Ongoing.
	TOTAL	220	
	2011/12 Roll Forward		
RF.1	Repairs and Maintenance	4	Fieldwork completed. Final report issued.
RF.2	Project Management	5	To commence in Q3.

Summary of recommendations (cross cutting and departmental only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
Health and Safety	0	1	2	5	LOW
Insurance	0	2	4	10	MEDIUM
Total	0	3	6	-	-

Appendix 2 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

Above the parapet

Where Finance needs to position itself in the public sector continues PwC's research into the role of Finance in the public sector, examining the trends, issues and the changing environment faced by finance directors.

This report, the 4th in an annual series, identifies how the finance function manages itself in the public sector, how this differs from private sector comparisons and how, over the last four years, finance directors have demonstrated a real desire to improve the performance and capability of their functions. Now, in 2012, the time has come for Finance to firmly put its head above the parapet and make sure that it really does operate as an equal business partner.

Now what next for the Eurozone? Potential outcomes for 2012

While we, nor anyone else, are in a position to know what will happen, businesses should monitor developments carefully. There is a wide range of potential outcomes and ensuring contingency plans are in place is a prudent course of action.

Hidden potential: fulfilling the economic potential of mid-sized cities

Before the recession many of England's mid-sized cities were performing well, but economic pressures have hit these cities harder than larger urban areas such as London and Manchester. Ensuring these cities remain resilient and sustainable will be important for the wider UK economy.

Hidden Potential: Fulfilling the economic potential of mid-sized cities, a report from Centre for Cities, PwC and Sunderland City Council, reveals that mid-sized cities have the potential to create more jobs if they can invest in reconfiguring their centres. The report calls on cities and the Government to work together to create a new investment fund focused on tackling the main barriers mid-sized cities face in their quest to grow.

Cities like Sunderland, Preston, Derby and Wakefield are examples of mid-sized cities that could use the fund to improve their city centre offer for businesses, which would help them to create jobs. The other main recommendations in the report are:

- for Government to follow their City Deal negotiations with England's Core Cities, with 'City Deals' for mid-sized cities to support their contribution to UK economic growth
- for mid-sized cities to address gaps in the provision of city centre office space - by managing empty public sector office space, for example
- for mid-sized cities to put to Government bespoke proposals around their transport and skills to support the renewal of their city centres.

All publications can be read in full at www.psrc.pwc.com/.

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Oxford City Council

Insurance Review

FINAL

Internal Audit Report
2012/2013
August 2012


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Distribution List

For action	Anna Winship (Financial Accounting Manager)
For information	Nigel Kennedy (Head of Finance) Jackie Yates (Executive Director – Organisational Development & Corporate Services) Peter Sloman (Chief Executive)

1. Executive summary

Report classification	Trend	Total number of findings					
 Medium risk (10 points)	N/a - no previous review has been performed in this area	Critical	High	Medium	Low	Advisory	
		Control design	0	0	2	3	0
		Operating effectiveness	0	0	0	1	0
		Total	0	0	2	4	0

Summary of findings:

Oxford City Council ('the Council') has a five year insurance contract with Zurich which is due for re-tender in December 2012. Management of insurance is the responsibility of the Council's Risk and Insurance Manager. The processing of claims is the responsibility of individual services.

Our review highlighted some areas of good practice relating to overall management of the contract:

- The Risk and Insurance Manager retains overall responsibility for the management of the contract;
- Quarterly meetings are held to discuss contract performance; and
- Insurance data is held centrally on the Zurich website which can be accessed on the internet by approved users.

More work is needed to improve the internal control environment to ensure that consistent processing and monitoring procedures are adopted by all departments and that the Risk and Insurance Manager has appropriate visibility of claims processed at a departmental level.

Two *medium risk* issues have been noted:

- There are no up-to-date procedure notes outlining how claims should be processed. This has led to the adoption of different working practices across the Council; and
- Departments adopt different methods of monitoring claim status. There is a risk this information is incomplete.

Four *low risk* issues have been identified:

- Outcomes of quarterly meetings are not shared with departments. Departments are unaware of key developments and areas of good practice shared by their insurance provider;
- There are no key performance indicators 'KPIs' covering insurance activity and activity is not monitored or reported on a formal basis;
- One instance was noted where claims data was stored within a non-secure office; and
- A formal review of all insurance policies has not been performed for a number of years. This is due to be performed as part of the re-tender exercise.

2. Background and scope

Background

The Council has a five year insurance contract in place with Zurich. The contract was awarded in 2007 and is due to for re-tender in December 2012. Overall management of insurance is the responsibility of the Council's dedicated Risk and Insurance Manager however the processing of claims is the responsibility of individual services. The objective of this review was to ensure the efficient and effective arrangement and administration of the Council's insurance portfolio and claims management system.

Scope and limitations of scope

Scope

We have reviewed the design and operating effectiveness of controls identified relating to Insurance. The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Roles and responsibilities	<ul style="list-style-type: none">• Roles and responsibilities are clearly defined.
Communication	<ul style="list-style-type: none">• Adequate processes and procedures are in place in relation to the administration and maintenance of insurance policies and records.• Effective communication systems are in place to ensure officers are aware of how claims should be processed and where queries should be logged.
Insurance cover	<ul style="list-style-type: none">• There are adequate/appropriate levels of sums insured/indemnity limits.
Financial Regulations	<ul style="list-style-type: none">• Insurance covers are arranged and administered in accordance with Financial Regulations, and the Council's Constitution.
Claims	<ul style="list-style-type: none">• Claims are submitted to the insurer in the appropriate format with any necessary supporting documentation, within any locally or statutory agreed timescales.
Post claim operations	<ul style="list-style-type: none">• Claims are reviewed to identify lessons learnt and future plans put in place to mitigate against the risk occurring again.• Fraudulent claims are identified and investigated.

Maintenance of details	<ul style="list-style-type: none">• The insurance system is protected against unauthorised access/ processing and is secure against loss or damage of data.
Management information	<ul style="list-style-type: none">• Insurance activity is monitored and reported on a periodic basis in line with set time scales.

Limitations of scope

The scope of our work was limited to those areas outlined above.

3. Detailed current year findings

1. Procedure Notes – Control Design

Finding		
<p>Procedure notes have not been reviewed since March 2006 and are not used by Council departments. This has led to the adoption of different practices across the Council. The following issues were identified:</p> <ul style="list-style-type: none"> • Roles and responsibilities at a departmental level are not defined. This means that insurance processing activity is not standardised across the Council; • There is no external guidance for members of the public outlining who they should contact if they want to lodge a claim; • None of the departments are using the 2006 guidance: only 1/4 departments interviewed knew of the existing guidance; 1/4 departments had created their own procedure notes to process insurance claims; 1/4 departments had a policy for handling complaints. No other procedure notes were identified; • Only 1 /4 departments reviewed and authorised claim information before it was submitted to Zurich; and • A standardised claim form should be used by officers. 1/4 departments complete these electronically, all other departments use hard copy claim forms. 		
Risks		
<p>Staff are unaware of procedures to be followed meaning claims are handled inappropriately. A lack of administration and maintenance can lead to claims being processed incorrectly and overpayments.</p>		
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	<p>Procedure notes will be formally reviewed, updated and publicised internally so that Council departments are aware of procedures. This process will include identifying individuals within each department who are for responsible for processing and monitoring insurance claims. We will liaise with our insurers to ensure we include the correct information, and instructions on processing claims electronically, in our procedures and arrange for them to provide training to responsible officers (see issue #2 below).</p>	<p>Anna Winship (Financial Accounting Manager)</p> <p>Target date: 31/12/2012</p>

2. Incomplete claims listing – Control Design

Finding

It is possible to download a complete listing of all insurance claims and their current status from the Zurich website. However, this is not currently performed and no centralised monitoring of claims across the Council is performed (see issue #4 below). We identified the following completeness issues surrounding insurance claims data:

- We were supplied with a listing of claims processed across the Council since April 2012. This data was supplied by multiple departments across the Council. The listing was incomplete and did not include motor insurance claims;
- Departments do not have access to the Zurich website to monitor claims and have adopted different methods of monitoring claims: 1/4 departments interviewed use Lagan to monitor claims whereas 3/4 departments are using paper based files; and
- During discussions with departments it was identified that they are not always consulted when a claim has been ‘closed’ meaning that a number of claims remain as ‘open’ when potentially these may now be resolved. This means that their monitoring is inaccurate.

Risks

Departments do not have complete listings of insurance claims meaning they cannot accurately monitor claims.

A lack of administration and maintenance can lead to claims being processed incorrectly and overpayments.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	In the short term, the Finance department will investigate the viability of giving departmental access to the Zurich website. This will enable responsible individuals to see the current status of insurance claims and monitor the progress of claims. We will aim to do this by the end of September 2012.	Anna Winship (Financial Accounting Manager)
	In the long term, we will supplement this by engaging with our insurance provider to come and provide training to responsible individuals.	Target date: 30/09/2012 and 31/01/2012

3. Review and monitoring of claims – Control design

Finding

The Risk and Insurance Manager meets Zurich on a quarterly basis to discuss the insurance contract. Outcomes of these meetings are not shared with other departments responsible for claim processing meaning that key developments or areas of good practice are not shared across the Council.

Zurich is responsible for identifying and reviewing fraudulent claims. When a fraudulent claim is identified, it is the responsibility of Zurich to notify the relevant department that this is being investigated. This information is not shared as part of quarterly meetings and there is no formal requirement for departments to share this information with the Risk and Insurance Manager.

As claims are not formally reviewed to identify lessons learnt, plans cannot be made to mitigate against the risk of invalid claims in the future. It is not possible to quantify how many claims this relates to or the value of claims affected.

Risks

Departments are unaware of key developments or areas of good practice shared with the Council by their insurance provider. This may mean inconsistent or inefficient working practices continue to be adopted.

If claims are not reviewed, trends may not be identified, meaning fraudulent or invalid claims are made on a recurring basis.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	We have confirmed with Zurich that there have been no fraudulent insurance claims. Zurich will continue to collate this data for the NFI exercise. Zurich have provided a number of updates of key developments to the Council in the past. This has included communication of key changes in legislation, discussions with the Corporate Assets team and training on risk management practices. Going forward we will continue to communicate any key messages from our insurance provider and following the re-tender, we will liaise with our insurance provider to provide training to relevant individuals at a departmental level to continue to share good practice.	Anna Winship (Financial Accounting Manager)
		Target date:
		31/01/2012

4. Management information – Control Design

Finding		
<p>There are no formal KPIs covering insurance activity and activity is not monitored or reported on a formal basis.</p> <p>The Council is a member of the CIPFA Benchmarking Club which will enable them to compare their processes, performance and value for money achieved against other organisations.</p>		
Risks		
Insurance activity is not monitored and reported on for follow up or risk management processes.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	We will consider the implementation of some relevant KPIs to monitor insurance performance. This will be incorporated as part of our revision to procedure notes.	Anna Winship (Financial Accounting Manager)
		Target date:
		31/12/2012

5. Security of claims data – Control Design

Finding

Our audit work has identified varying levels of security surrounding the retention of claims data. In the majority, data is kept physically secure in locked filing cabinets and offices and/or is electronically protected on the computer system. However, one instance was noted where claims data is stored within a non-secure office.

Risks

Claims data is lost or damaged leading to reputational risk through failure to comply with data protection requirements or financial loss e.g. incorrect payments made on basis of incomplete information.

Access to claims data is not restricted to appropriate personnel meaning potentially confidential information is released leading to reputational damage for the Council.

Action plan

<u>Finding rating</u>	<u>Agreed action</u>	<u>Responsible person / title</u>
Low	We will update our procedure notes to ensure that departments are aware of the requirement to store data securely.	Anna Winship (Financial Accounting Manager)
		<u>Target date:</u>
		31/12/2012

6. Annual review of insurance policies – Operating Effectiveness

Finding		
Section 18.6 of Financial Regulations states that insurance policies should be reviewed on an annual basis. Policies are currently only reviewed when they are due for tender and have not been reviewed since 2007.		
Risks		
Amounts insured and indemnity limits are not appropriate leaving the Council liable to financial exposure.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	The Finance department have updated insurance policies on an annual basis: in the past year we added a clause relating to terrorism; have updated motor vehicles and properties; and, reviewed our fidelity insurance. However, it is accepted that there has not been a formal review of other existing clauses within the contract. A full review will be performed with immediate effect as part of the re-tender exercise for the provision of insurance services.	Anna Winship (Financial Accounting Manager)
		Target date: 31/12/2012

Appendix 1: Basis of our classifications





Individual finding ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Critical</i> impact on operational performance (quantify if possible); or • <i>Critical</i> monetary or financial statement impact (quantify if possible = materiality); or • <i>Critical</i> breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • <i>Critical</i> impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Significant</i> impact on operational performance (quantify if possible); or • <i>Significant</i> monetary or financial statement impact (quantify if possible); or • <i>Significant</i> breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • <i>Significant</i> impact on the reputation or brand of the organisation (quantify if possible).
22 Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Moderate</i> impact on operational performance (quantify if possible); or • <i>Moderate</i> monetary or financial statement impact (quantify if possible); or • <i>Moderate</i> breach in laws and regulations resulting in fines and consequences (quantify if possible); or • <i>Moderate</i> impact on the reputation or brand of the organisation (quantify if possible).
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Minor</i> impact on the organisation's operational performance (quantify if possible); or • <i>Minor</i> monetary or financial statement impact (quantify if possible); or • <i>Minor</i> breach in laws and regulations with limited consequences (quantify if possible); or • <i>Minor</i> impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

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Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 2: Terms of Reference

Oxford City Council

Terms of reference –Insurance

To: *Anna Winship, Financial Accounting Manager*
Nigel Kennedy, Head of Finance
From: *Charlotte Bilsland, Audit Manager*

This review is being undertaken as part of the 2012/13 internal audit plan approved by the Audit and Governance Committee.

Background

Oxford City Council has a 5 year insurance contract in place with Zurich. The contract was awarded in 2007 and is due to for re-tender in July 2012. Overall management of insurance is the responsibility of the Council's dedicated Risk and Insurance Manager however the processing of claims is the responsibility of individual services. The objective of this review is to ensure the efficient and effective arrangement and administration of the Council's insurance portfolio and claims management system.

Scope

We will review the design and operating effectiveness of key controls relating to Insurance. The sub-processes and related control objectives included in this review are:

Roles and responsibilities	<ul style="list-style-type: none">• Roles and responsibilities are clearly defined.
Communication	<ul style="list-style-type: none">• Adequate processes and procedures are in place in relation to the administration and maintenance of insurance policies and records.• Effective communication systems are in place to ensure officers are aware of how claims should be processed and where queries should be logged.
Insurance cover	<ul style="list-style-type: none">• There are adequate/appropriate levels of sums insured/indemnity limits.
Financial Regulations	<ul style="list-style-type: none">• Insurance covers are arranged and administered in accordance with Financial Regulations, and the Council's Constitution.
Claims	<ul style="list-style-type: none">• Claims are submitted to the insurer in the appropriate format with any necessary supporting documentation, within any locally or statutory agreed timescales.
Post claim operations	<ul style="list-style-type: none">• Claims are reviewed to identify lessons learnt and future plans put in place to mitigate against the risk occurring again.• Fraudulent claims are identified and investigated.
Maintenance of details	<ul style="list-style-type: none">• The insurance system is protected against unauthorised access/ processing and is secure against loss or damage of data.
Management information	<ul style="list-style-type: none">• Insurance activity is monitored and reported on a periodic basis in line with set time scales.

Limitations of scope

The scope of our work will be limited to those areas outlined above.

Internal audit team

Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Charlotte Bilstrand	Audit Manager
Jenny Jones	Team Member

Key contacts – Oxford City Council

Anna Winship	Financial Accounting Manager	Audit Sponsor*	Review and approve terms of reference Review draft report Review final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
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Other Roles and Responsibilities – Oxford City Council

Nigel Kennedy	Head of Finance	Receive agreed terms of reference Receive draft and final reports
Jackie Yates	Executive Director – Organisational Development & Corporate Services	Receive final report
Peter Sloman	Chief Executive	Receive final report

*The audit sponsor should respond by email to the audit manager to confirm agreement with these Terms of Reference. By agreeing to the document, the responsible manager is confirming the following:

- Appropriateness of scope and any limitation;
- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request;
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation; and
- Agreement with the timetable of reporting within the document and the audit reporting protocol within the Annual Audit plan.

Timetable

Fieldwork start	28/05/2012
Fieldwork completed	01/06/2012
Clearance Meeting	w/c 04/06/2012
Draft report to client	w/c 18/06/2012
Response from client	w/c 18/06/2012
Final report to client	w/c 02/07/2012

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request; and
 - Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.
-

Appendix 3: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Insurance, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the Insurance review is for the 2012/13 year. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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To: Audit & Governance Committee

Date: 27th Sept 2012

Item No:

Report of: Head of Finance

Title of Report: Progress on Implementation of Audit Recommendations

Summary and Recommendations

Purpose of report: To report progress on the implementation of internal and external audit recommendations.

Policy Framework:

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the recommendations as listed in the Appendix.

Appendix A – Internal and External Audit recommendation tracker

Background

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those which remain outstanding together with updated management responses are provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

External Audit Recommendations

- 4 There are no red recommendations on the external audit recommendation tracker.

- 5 There are only two remaining external audit recommendations, one of which is being reported as 100% complete and will be removed from the next report. The other recommendation relates to PC and Laptop assets being recorded with their location, this is being completed as part of the Windows 7 installation which is due to start in October, and completed by January 2013.

Internal Audit recommendations

- 6 There have been two new internal audit reports finalised since the last meeting, and these recommendations have been added to the tracker, these are:
- Health and Safety – Low risk Rating – there were only two low and one medium risk raised in this audit, and this is an improvement on the previous internal audit carried out in this area. The audit conclusion is supported by clear documented procedures for performance of risk assessments and reporting of accidents, and an appropriate mechanism to ensure that Health & Safety performance is monitored and challenged on a regular basis.
 - Insurance – Medium Risk Rating - there were two medium and four low risks identified during this audit. The main areas for improvement relate to internal controls to ensure that there is consistent processing and monitoring of claims carried out across the services and officers will be working on this over the coming months.
- 7 There are 12 recommendations on the internal audit recommendation tracker that are not 100% complete. Two of these have been given revised forecast completion dates and these are detailed in paragraph 10, the remaining have not breached their implementation date and progress is being made on each to ensure completion.
- 8 There are two recommendations which are likely to not be fully implemented by the stated implementation date, however work is in progress towards full implementation, they are:
- IA340 – Low risk – relating to issues of quality on Housing Benefit claims processed. There is still a vacant post in this area and once appointed to their responsibility will be to ensure the Quality process is fully reviewed
 - IA402 – Low risk – relating to implementation of Itrent for logging Health & Safety training. The system has been set up and milestones are in place to ensure that the system is rolled out to departments, and this is expected to be completed fully by 31st Dec 2012.
- 9 There are 2 internal audit recommendations that are being reported as 100% complete and these will be removed from the next report.
- 10 Two recommendation have been given a revised forecast completion date, which relate to the following:

- IA333 – this relates to the production of procedure notes in relation to the raising of invoices for trade waste services. The completion date has been amended to 30th Sept 2012 from 30th July. The delay in completing these procedure notes is due to a staff vacancy that arose. A new member of staff is now in post with the responsibility for managing this area and ensuring all procedures are in place.
- IA347 – this relates to the reconciliation between Agresso on Uniform for income raised. A large amount of work has been carried out on reconciling this information between the two systems and the reconciliation has been completed, but a small number of remaining items still need to be resolved. This is being worked on currently and is expected to be finalised by end of September.

11 There are no internal audit recommendations that are more than three months beyond their revised implementation date.

12 There has been an overall improvement in the outcome of our internal audit reviews over the last two years. The number of low risk audits has increased, whilst the number of high risk audits has reduced, this is an encouraging direction of travel. Whilst only two audits have been finalised in 2012/13, one of these is medium risk and one is low risk. The table below details the percentage of reports and their risk ratings.

Risk Rating	11/12		10/11	
	no of reports	% of reports	no of reports	% of reports
High	1	7%	2	15%
Medium	9	60%	8	62%
Low	5	33%	3	23%
	15		13	

13 Alongside the reduction in high risk rated audits the number of recommendations has also reduced and any recommendations made are now being dealt with in a timelier manner. The use of the audit tracker and reporting to Audit & Governance has increased the awareness of the importance of these recommendations and ensured that officers deal with them in a timely manner.

Financial Implications

14 Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processes and procedures highlight areas of risk.

Legal Implications

15 There are no legal implications arising from the recommendations in this report.

Equalities Impact

16 There are no Equalities implications arising from the recommendations in this report.

Climate change/environmental Impact

17 There are no Climate Change implications arising from the recommendations in this report.

Name and contact details of author:

Anna Winship
Financial Accounting Manager
Telephone: (01865) 252517
awinship@oxford.gov.uk

Background papers: None

Audit Tracker

Ref	Review	Review Date
EA002	Certification of Claims and Returns	23-Mar-2010
EA074	Certification of claims and returns	30-Dec-2011
IA172	ICT	27-Apr-2010
IA333	Trade Waste	1-Jan-2012
IA339	Housing Benefit	19/3/12
IA347	Commercial Property	16-Mar-2012

IA401	Health & Safety	1/8/12
IA403	Insurance	1/8/12
IA404	Insurance	1/8/12
IA340	Housing Benefit	19/3/12
IA402	Health & Safety	1/8/12
IA405	Insurance	1/8/12
IA406	Insurance	1/8/12
IA407	Insurance	1/8/12
IA408	Insurance	1/8/12
IA400	Health & Safety	1/8/12

Issue Noted	Risk Rating	Recommendation
<p>All PC and Laptop Assets recorded with user and location details.</p> <p>All infrastructure Assets to be documented (with photographic evidence where possible) with location details</p>	Medium	The Council should obtain a record of the laptop allocations and confirm their location
<p>Property prices held agree to those used to calculate the claim, the council is unable to provide evidence that the prices represent those as at January 1999.</p>	Medium	Review the 24% discount rate for the value of stock used in the Housing Finance base data return
<p>We were informed that no user access reviews have been performed recently, to determine who has access to particular network shared drives and if the access rights granted are appropriate. Similarly no formal reviews have been performed to determine and validate the level of access available to users in the applications such as CRM and Iworld.</p>	Medium	The user access rights to network shares should be reviewed, to ensure that only authorised City Council staff can access the specific network shares they are entitled to access. Formal reviews covering user access rights within applications in the system should be performed to identify any remove any excess privileges available to users.
<p>There are currently no procedure notes in place for the White Space system or Trade Waste processes.</p>	Medium	Produce procedure notes and ensure kept upto date
<p>The time taken to process changes of circumstances has increased from an average of 9.87 days in 10/11 to 12.31 in 11/12 against a target of 10 days. Also the time taken to process new claims has increased form an average of 16.52 days in 10/11 to 17.95 days in 11/12 against a target of 14 days.</p>	Medium	Reduce days taken to process changes and new claims
<p>All commercial property income is raised on the Agresso (General Ledger) system. There is currently no reconciliation performed between Agressor and Uniform to ensure that all the rented properties are being billed. It is understood that a full reconciliation of all property income was performed in 2010 and that the Council has plans to produce another reconciliation as part of the 2011/12 close down process.</p>	Medium	Income is not maximised if we are not billing all properties.

Risk assessments: Risk assessment data is incomplete, and may mean risk assessments and relevant controls cannot be monitored effectively	Medium	Risk assessments: Head of HR will remind HoS of need to upload all risk assessments onto Risk Ex.
Procedure notes: staff are unaware of procedures to be followed when dealing with claims, and a lack of admin and maint can lead to claims being processed incorrectly	Medium	Procedure notes to be formally reviewed, updated and publicised internally so that all council depts are aware of the procedures.
Departments do not have complete listings of insurance claims, meaning they cannot accurately monitor claims	Medium	Finance to investigate the viability of giving departmental access to the Zurich website , and asking insurance provider to provide training to departments
The council currently performs 30 spot checks a month on claims processed. All results are recorded on standardised checking forms and any errors logged centrally and amended within 5 days.	Low	Issues with processing accuracy may not be identified on a timely basis, increasing the risk that subsidy may be reclaimed from the Council
Training & Awareness: Council to ensure all H&S training is recorded and entered onto i-trent.	Low	Training & Awareness: Council to ensure all H&S training is recorded and entered onto i-trent.
Departments are unaware of key developments or areas of good practice shared with the council by their insurance provider. This may mean inconsistent or inefficient working practices continue to be adopted	Low	Continue to communicate any key messages for Insurance provider and following retender, arrange training for relevant department individual to continue to share good practice on reviewing and monitoring claims
Insurance activity is not monitored and reported on for follow up or risk management processes	Low	Consider implementation of some relevant KPIs to monitor insurance performance, incorporated as part of revision to procedures notes
Access to claims data is not restricted to appropriate personnel meaning potentially confidential information is released leading to reputational damage for the council	Low	Update procedure notes to ensure that departments are aware of the requirement to store data securely
amounts insured and indemnity limits are not appropriate leaving the council liable to financial exposure	Low	Complete full annual review of insurance policies as part of the retender exercise
Monitoring and reporting: Performance is not challenged on a regular basis meaning potential efficiencies are not recognised	Low	Monitoring and reporting: H&S team to seek advice of BI and formalise dashboard of KPIs and recording/monitoring via CorVu.

Updater	Owner	Due Date
David Oakes	Jane Lubbock	31-Jan-2011
David Watt	Nigel Kennedy	1-Jul-2012

David Oakes	Jane Lubbock	30-Apr-2010
Joanne Gardner	Phil Dunsdon	31-Jan-2012
Paul Wilding	Helen Bishop	31/3/12
Lorraine Newman-Robson	Richard Hawkes	30-Mar-2012

Simon Howick	Simon Howick	31/08/12
Anna Winship	Anna Winship	30/12/12
Anna Winship	Anna Winship	30/12/12
Paul Wilding	Helen Bishop	31/5/12
Mark Preston	Mark Preston	31/08/12
Anna Winship	Anna Winship	30/01/13
Anna Winship	Anna Winship	30/12/12
Anna Winship	Anna Winship	30/12/12
Anna Winship	Anna Winship	30/12/12
Simon Howick	Simon Howick	31/12/12

Forecast Completion Date	Comments	% Complete
31/8/2012	Will be resolved as part of the Windows 7 upgrade project	70
30/6/2012	This has been an audit requirement for several years. In 2012/13 a decision will be made to determine the extent and detail associated with a stock condition survey for the HRA stock. Part of the brief will be to review information that will enhance the Council's ability to meet the data requirements of this audit query. However, discussions with our external auditor's are needed to ascertain the relevance of this requirement given the abolishment of the old subsidy regime.	100

28/9/2012	Will be resolved as part of the M drive project, the scope of this project is being reviewed and timescales will be in place within the next two months	50
30/9/2012	procedure notes are being updated	70
30/6/12	Improvements have been made to the number of day taken to process changes and this has been below 10 days for the last two months, working will continue on reviewing process to ensure that this remains under 10 days.	100
30/9/12	Reconciliation between Agresso and Uniform has been completed identifying a number of reconciling items, these are being investigated and resolved	75

	All risk assessments are now on the Risk Ex system.	100
	Procedure notes to be formally reviewed, updated and publicised internally so that all council depts are aware of the procedures.	0
	Finance to investigate the viability of giving departmental access to the Zurich website and asking insurance provider to provide training to departments	0
31/8/12	The additional post of Senior Office is still being recruited into, however a deputy benefits manager has been recruited and has started a review of the Quality process.	50
31/12/12	The council has now applied the learning and development module onto the I-Trent system, and milestones have been set to ensure all Health & Safety training is logged through the system going forward	50
	Continue to communicate any key messages from our Insurance provider and following retender arrange training for relevant departments. Individuals to continue to share good practice on reviewing and monitoring claims	0
	Consider implementation of some relevant KPIs to monitor insurance performance, these will be incorporated as part of revision to procedures notes	0
	Update procedure notes to ensure that departments are aware of the requirement to store data securely	0
	The retender process is in progress and a review of all covers has been started through this process	50
	Arrangements are already in place to monitor performance including Corporate Management Team, Health and Safety Committee and monitoring within Direct Services. Milestones have been set to ensure that this work is completed by the due date set.	0

AUDIT AND GOVERNANCE COMMITTEE

Thursday 28 June 2012

COUNCILLORS PRESENT: Councillors Rowley (Chair), Simmons (Vice-Chair), Clarkson, Darke, Fry and Mills.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Jackie Yates (Executive Director Organisational Development and Corporate Services), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Jeremy Thomas (Head of Law and Governance), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Maria Grindley (Audit Commission)

6. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Tony Brett and David Rundle (Councillor Mark Mills attended as a substitute for Councillor Rundle).

7. DECLARATIONS OF INTEREST

Councillor Roy Darke declared a personal interest in agenda item 3 (Statement of Accounts for the year ending 31st March 2012) as he is a Member of the Oxfordshire County Council Pensions Committee. (Minute 8 refers).

8. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2012

The Head of Finance submitted a report (previously circulated, now appended) which presented the Statement of Accounts for the year ending 31st March 2012.

Councillor Roy Darke declared a personal interest as he was a Member of the Oxfordshire County Council Pensions Committee.

Nigel Kennedy Head of Finance introduced the report.

In response to questions concerning heritage assets, Anna Winship explained that they had always been included in the accounts, but now had to be split out as a specific heading and included the civic regalia, Town Hall Organ, paintings etc and as at 31st March 2012 were valued just short of £2.4m. Anna Winship confirmed that they were covered by insurance.

Councillor Fry asked questions concerning the pension deficit. In response Jackie Yates said that the valuation was a point in time, and so would change. She added that the tri-annual valuation would look at the assets and liabilities of the fund and make recommendations for managing the deficit over the long term. She further added that there had been recent changes to the pension scheme including employees making contributions based on their salary, rather than a flat rate percentage.

Councillor Simmons asked how Members could find out more information on the Council's acquired company, specifically on the partnership with Grosvenor Developments Limited and the Barton Oxford LLP. In response Jackie Yates said that the agreement between the Council and Grosvenor Developments Limited was a matter of public record and so could be viewed. She added that she was one of three Directors from the Council on the Partnership Board and the Lead Officer on this was David Edwards. Various Members of the Committee agreed that it would be useful to have a briefing session on this partnership.

Councillor Simmons asked questions concerning interest payments from funds held in Icelandic Banks. In response Anna Winship said that the Council had funds in two Icelandic Banks, of these one was paying interest up to 2009, while the other was not.

Councillor Mills asked questions concerning the Group Accountants and the liabilities in relation to the LLP. In response Jackie Yates explained that there would be an upfront financial outlay by Grosvenor to provide the infrastructure for the development before the income from sales were realised and any profit generated. She further added that the LLP accounts had been prepared by Grosvenor and audited by Grant Thornton, the Auditors appointed by the LLP.

The Committee agreed:

- (a) To thank Officers for their work in producing the Statement of Accounts;
- (b) To note the Statement of Accounts as certified by the Executive Director (Organisational Development and Corporate Services) for submission to the Councils external auditors;
- (c) To request the Executive Director, City Regeneration to arrange for a briefing session for Members of the Audit and Governance Committee on the financial structure of the Barton Oxford LLP.

9. 2011/12 ANNUAL GOVERNANCE STATEMENT

The Head of Law and Governance submitted a report (previously circulated, now appended) which presented the 2011/12 Annual Governance Statement for approval.

Jeremy Thomas introduced the report and said that while it had been presented as a separate agenda item, the Annual Governance Statement formed part of the Statement of Accounts.

In response to questions from various Members of the Committee, Officers explained that the Council's Collection Fund position was comparable with other authorities and that Officers were working hard to ensure that monies due were collected and the amount of arrears reduced.

The Committee agreed to approve the 2011/12 Annual Governance Statement.

10. 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 2011/12 Audit Plan.

Maria Grindly from the Audit Commission introduced the report and said that good progress had been made with improvements in controls for 2011/12. She further highlighted that being able to conduct early work on the Statement of Accounts had been beneficial.

In response to questions concerning reconciliations and car parks, Anna Winship said that the same level of work would be required whether there was a daily or weekly reconciliation as the pay machines were emptied on a daily basis.

The Committee agreed to note the report.

11. INTERNAL AUDIT ANNUAL REPORT - 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 a commentary of internal audit activity for the 2011/12 year.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report and highlighted that there had been a significant reduction in the number of audits with a high risk rating.

The Committee agreed to welcome the reduction in the number of high risk ratings and to note the report.

12. RISK MANAGEMENT QUARTERLY REPORTS - QUARTER 4, 2011/12

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on both corporate and service risks as at the end of quarter 4, 31st March 2012.

Nigel Kennedy from Finance introduced the report.

The Committee agreed to note the report.

13. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress on the implementation of internal and external audit recommendations.

Anna Winship from Finance introduced the report and said that no new recommendations had been added as we were now at the end of the 2011/12 year. She added that with the current 2012/13 year now underway new recommendations would be added.

The Committee agreed to note the report.

14. INVESTIGATION TEAM, FINANCE, PERFORMANCE 2011/12

The Head of Finance submitted a report (previously circulated, now appended) the purpose of which was to report to the Committee the Investigation Team's performance for the period 2011/12 and to further update the Committee on fighting fraud locally.

Carol Quinton introduced the report and in response to questions said that in early 2013, the Council should know initially how much funding the Department for Work and Pensions (DWP) would provide for investigators under the single fraud investigation service. She added that the Council employees would remain under the management of the Council, but their work allocation, performance targets etc. would not and information on this had not been forthcoming from the DWP.

Committee Members asked further questions concerning internal fraud work and the quality of investigations due to the changes. In response Carol Quinton said that the Council was working with other authorities to see where the risk areas generally were on internal fraud. Regarding the quality of investigations she said that there was concern that the Crown Prosecution Service (CPS) had instigated a 28 day file review which was not a legal requirement, which had resulted in cases not being pursued, which might otherwise be in the public interest to pursue.

Carol Quinton said in response to questions concerning targets that these had been reduced by 25% due to an Officer being moved to deal specifically with tenancy fraud, however the number of cases had not reduced as had been the expectation.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance write to the Department for Work and Pensions (DWP) with the comments and concerns of the Committee and asking for reassurance that reporting lines between the Single Fraud Investigation Service and the Audit and Governance Committee would be maintained;
- (c) To request the Head of Finance write to the Crown Prosecution Service (CPS) and the Department for Work and Pensions (DWP) expressing the Audit and Governance Committee's concern at the 28 day file review limits which would result in cases not being pursued which otherwise may have been.

15. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meetings held on 16th April and 23rd May 2012.

16. DATES OF FUTURE MEETINGS

The Committee agreed to note the dates of future meetings as detailed on the agenda pages and that the next meeting of the Committee would take place on Thursday 27th September 2012 at 6.00pm in the Town Hall.

17. MATTERS EXEMPT FROM PUBLICATION

The Committee agreed to exclude the press and public from the meeting during consideration of items on the exempt for publication part of the agenda.

18. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES 2011/12

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 6.00 pm and ended at 7.30 pm

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