

Agenda

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Audit and Governance Committee

Date: **Thursday 18 April 2013**

Time: **6.00 pm**

Place: **Town Hall**

For any further information please contact:

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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

The Quorum for this Committee is three Members and substitutes are allowed.

2 DECLARATIONS OF INTEREST

Members are asked to declare any disclosable pecuniary interests they may have in any of the following agenda items. Guidance on this is set out at the end of these agenda pages.

3 AUDIT PROGRESS REPORT 2012/13 - ERNST AND YOUNG

1 - 12

The Head of Finance has submitted a report on behalf of the Council's External Auditors, Ernst and Young which details the progress made in delivering the work set out in the 2012/13 audit plan.

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

4 PREPARATION FOR THE COMPLETION OF THE STATEMENT OF ACCOUNTS FOR 2012/13

13 - 30

The Head of Finance has submitted a report which updates Members on the preparations being made for the completion of the Statement of Accounts for 2012/13.

The Committee is asked to note the progress with the preparations for the Statement of Accounts for 2012/13.

5 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

31 - 36

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.

6 INTERNAL AUDIT ANNUAL REPORT - PRICEWATERHOUSECOOPERS (PWC)

37 - 52

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the Internal Audit Annual report for the year ended 31st March 2013.

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

7 MINUTES

53 - 58

Minutes of the meeting held on 28th February 2013.

8 DATES OF FUTURE MEETINGS

Meeting dates for the 2013/14 Council Year will be approved at the Full Council meeting on 22nd April 2013.

9 INTERNAL AUDIT CHARTER - PRICEWATERHOUSECOOPERS (PWC)

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

10 PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PRICEWATERHOUSECOOPERS (PWC)

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

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

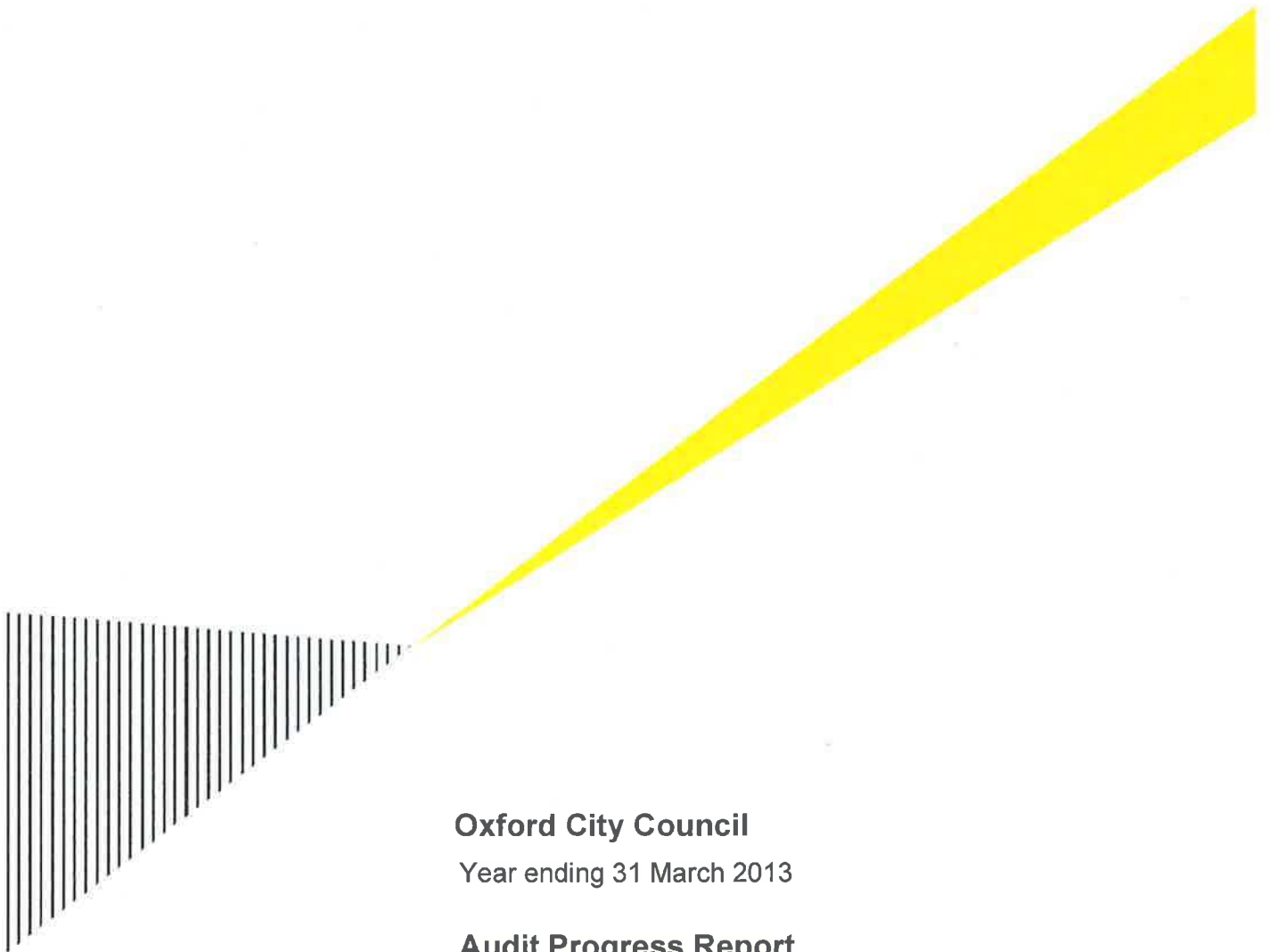
Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

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.



Oxford City Council
Year ending 31 March 2013

Audit Progress Report

April 2013

Audit & Governance Committee
Oxford City Council
Town Hall Offices
St Aldates
Oxford
OX1 1BX

10 April 2013

Dear Councillors

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

This Progress Report summarises the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit and Governance Committee with an overview of the stage we have reached in your 2012/13 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We have issued our Audit Plan to the February Audit and Governance Committee. We have completed our walk throughs and have continued to update our risk assessment. There are no new issues that we are required to communicate to you as a result of this work.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
Director
For and behalf of Ernst & Young LLP
Enc

Contents

1. Work completed	2
2. Timetable.....	3
Appendix 1: Audit Progress.....	4

1. Work completed

Meetings

We have timetabled a number of regular meetings with key officers as part of our ongoing audit process including:

- Fortnightly meetings with key finance staff to discuss significant risks around the accounts, and updates on our work;
- Quarterly meetings with the Director of Organisation Development and Corporate Services and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit.

Walk throughs and tests of control

We completed our walk throughs and have reviewed the work of internal audit where completed and appropriate. We are pleased to report that the completion and review of control accounts is improving (Appendix 1). We are now selecting controls that we will test in order to place reliance on them. To date our work has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money assessment

We have completed our initial risk assessment for our value for money work in line with the Audit Commission's specified criteria and areas of focus. We reported risks in our audit plan which came to the February Audit Committee and there are no further issues or risks from our ongoing review to raise at this stage.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in June and your NNDR claim in August.

IT work

We seek to place reliance on IT systems where possible and appropriate. To do this our computer audit team are currently testing IT controls. If we can place reliance on these then this will reduce the amount of testing we will need to do.

Questions from a member of the public

We have received questions from a member of the public on the cost of the swimming pool at Blackbird Leys. These were shared with the Council and a response was received from the Council which was reviewed and found to address the questions asked of us. We have replied to the member of the public providing them with a response to the questions asked. This additional fee to the Council for the work required to complete the review is £2,187.

2. Timetable

Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit and Governance Committee cycle.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate.

Following the conclusion of our audit we will prepare a Management Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	December	Fee Letter
Risk assessment and setting of scopes	December/ January	
Testing of routine processes and controls	February/April	Audit Plan Progress Report (if required)
Value for money conclusion	February/April	
Year-end audit	July – September	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Management Letter
Grant claims	December	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Planning discussions

We will continue to update our planning throughout the course of our audit process.

Group audit instructions to functional body auditors

Once we have concluded the initial planning discussions with the group auditors of Barton LLP, we will issue Group Audit Instructions to ensure the efficient co-ordination of the audit across the group. We plan to issue these following a review of the current year financial transactions for Barton LLP.

Appendix 1: Summary of controls testing to March 2013

System	Test number	What could go wrongs	Results of controls testing March 2013	Controls to test at year end
Cash and Bank	1	Payments and receipts per the bank statement are not matched against debtor or creditor balance	All controls working effectively All controls working effectively	
	2	Fictitious/duplicate cash disbursements are made		Review year end bank reconciliations
	3	Payments and receipts per the bank statement are not properly recorded in ledger	All controls working effectively	
Payroll	4	Fictitious employees added to the payroll	All controls working effectively	
	5	Payroll system incorrectly posts to general ledger	Control working effectively	
	6	Incorrect pay rates are used in computing gross pay	Control working effectively	
	7	Payroll expenses including deductions are incorrectly computed	Control working effectively	
	8	Payroll expenses are recorded in a different period to when they were incurred and paid	Control working effectively	
Pensions	9	Financial statement disclosures not prepared correctly		Trial Balance and financial statements are reviewed by finance team.
	10	Incorrect information provided to actuary (matters of significance not communicated)		Review of actuaries report by finance team to ensure base data and circumstances been correctly reflected

Appendix 1: Summary of controls testing to March 2013

	11	Contributions not passed accurately to administering body	Control working effectively	
	12	Information inaccurately prepared by the actuary		Confirm the use of a qualified and suitably experienced actuary
	13	Contributions calculated incorrectly	In progress	
	14	Journals not prepared correctly		Confirm that year end journals have been properly prepared reviewed and approved
Housing Rents	15	Housing Benefit not posted to rent accounts overstating debtor	All controls working effectively	
	16	Income not posted to individual rent accounts, overstating debtor	All controls working effectively	
	17	Rent level calculated incorrectly	Control working effectively	
	18	Rent due not posted fully and accurately to the General Ledger	Control working effectively	
Accounts Receivable	19	Invoice raised for incorrect amount/incorrect income code or for an event that did not occur	Tested by Internal Audit and one fail identified. Transaction had been raised and authorised by the same person	Test segregation of duties
	20	Income raised not posted to the general ledger	Control working effectively	
Council Tax	21	Amounts not recorded or inaccurately recorded in general ledger	Control working effectively	

Appendix 1: Summary of controls testing to March 2013

	22	Incorrect debit raised for amounts due	All controls working effectively	
Procure to Pay	23	Purchase sub ledgers not reconciled to general ledger	All controls working effectively	
	24	Invalid or incorrect purchase price or other adjustment	Tested by Internal Audit and errors identified over authorisation of invoices. We are assessing impact.	
	25	Cut-off procedures have not properly been performed		Test that cut off is managed via unmatched goods received from system
	26	Purchases recorded twice or fictitious	Control working effectively	
	27	Confirmations of receipt not generated for all goods received or service not received	Tested by Internal Audit and errors identified over authorisation of invoices. We are assessing impact.	
Property Plant and Equipment	28	Assets are valued incorrectly, including fair value declines not being identified		Test that the asset register is updated for valuations and that the register is reconciled to the General Ledger
	29	The fixed asset register does not reconcile to the general ledger.		Check that the register is reconciled to the General Ledger
	30	Assets bought or acquired are not recorded in the accounts	Control working effectively	
	31	Impairment charge is not split correctly between revaluation		Test calculations splitting

		reserve and revenue account		impairment between revenue and reserves is carried out at year end and reviewed by an independent officer
Housing Benefits	32	Benefits due are not paid		Test year end bank reconciliation and confirm Academy payments reconciled to the General Ledger
	33	Benefits due not accurately/completely processed into ledger as expenditure or into other receiving systems as income.		Confirm Academy system payments are reconciled to the General Ledger
	34	Software not updated according to provider's instructions		Test that software has been updated according to provider's instructions.
	35	Incorrect rate of benefit paid	Control working effectively	
	36	Inaccurate year-end subsidy debtor/creditor with central government		Test reconciliation of year end subsidy claim and software updated according to provider's instructions
Business Rates	37	Amounts not recorded or inaccurately recorded in general ledger	Control working effectively	

Appendix 1: Summary of controls testing to March 2013

	38	Incorrect debit raised for amounts due	Control working effectively
Car Parking	39	Cash receipts not banked or inaccurately banked	Control working effectively
	40	Missing or incorrect cash receipts for car parking audit tickets	Control working effectively
	41	Cash receipts not recorded or inaccurately recorded in the General Ledger	Control working effectively

Appendix 2: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	January 2013	Completed	Reported to TCWG February 2013
Audit Plan	January / February 2013	Completed	Reported to TCWG February 2013
Report to Those Charged with Governance	September 2013	not due	
Audit Report (including opinion and vfm conclusion)	September 2013	not due	
Audit Certificate	September 2013	not due	
WGA Certificate	October 2013	not due	
Management Letter	October 2013	not due	
Report on the Audit of Grant Claims	December 2013	not due	

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To: Audit & Governance Committee

Date: 18th April 2013

Report of: Head of Finance

Title of Report: Preparation for the completion of the Statement of Accounts for 2012-13

Summary and Recommendations

Purpose of report: To update members on the preparations being made for the completion of the Statement of Accounts for 2012-13.

Policy Framework: Financial stability

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the preparations for the Statement of Accounts for 2012-13.

Appendix A – A copy of closedown guidance note for Managers

BACKGROUND

- 1 The Annual Governance Report from the Audit Commission for last year gave an 'unqualified opinion' on the Council's Statement of Accounts for 2011-12. This was a considerable achievement for the third year running.
- 2 From October 2012 Ernst and Young are the Councils appointed auditors and they will take over the auditing of the Statement of Accounts from the role performed by the Audit Commission previously.
- 3 Essentially the auditing team from Ernst and Young are the same staff as were previously employed by the Audit Commission and the Councils Finance Team continue to maintain regular contact with them throughout the planning and closedown period. The process is expected to remain the same and a close working relationship will be maintained.

NEW ISSUES FOR 2012-13

- 4 The accounts are prepared in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom, known as the 'Code'. There are no significant new areas of change in this years Code, however there are some areas which were new last year that we have continued to work on:

- **Carbon Reduction Commitment Allowance**
The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Further details have been provided in the 2012/13 Code with guidance as to the accounting treatment of this scheme.
- **Housing Revenue Account (HRA) Self Financing**
The 2012/13 Code includes minor amendments to the HRA income and Expenditure Statements, and includes revisions to reflect the changes in the statutory accounting requirement for property, plant and equipment in relation to the transfers to and from the Major Repairs Reserve under the new self – financing arrangements for Housing Authorities, The impact of this means that there will be an annual depreciation charge for non council dwellings to the HRA of approx. £370k, in respect of Garages and shops.

5 Whilst the progress on accounts closure has been significant, a number of areas of improvement were highlighted by the Audit Commission, along with the Council progress, as follows :

- a. Guidance needs to be provided to the Finance team on classification of income and expenditure in the Comprehensive Income and Expenditure Statement

Response – This error arose due to inaccurate links from the general ledger to the Comprehensive Income & Expenditure Statement (CI&E), due to a misunderstanding of the classification of the income and expenditure. A review of the reporting structure has been carried out to ensure that all income and expenditure codes are now accurately classified into the appropriate areas in the CI&E and disclosure notes

- b. Review of the HRA accounts and supporting working papers

Response – Additional time has been allocated in the Closedown Plan for Senior Managers within Finance to undertake a thorough process of review on all statements and working papers including those on the HRA. Finance staff have been given additional training on what constitutes a 'good working paper' drawing on best practice in those areas which improved last year.

- c. Management of the process for leases, including continual monitoring and identification of new leases

Response – a process, which includes regular meetings with Corporate Property to discuss any impending new or changing leases, and the use of ‘change notes’ to identify any actual changes is now in place to ensure all changes are accounted for timely and appropriately

- d. Ensure all related party declarations are completed

Response – a robust process to chase all outstanding related party declarations, including chasing members earlier than in previous years has been commenced. Members of the Audit and Governance committee have previously endorsed this process and the need to ensure compliance.

- e. Ensure coding structure supports the appropriate disclosures

Response – see response to (a) above

GUIDANCE AND TRAINING

- 6 In line with previous years a guidance note has been issued to all Heads of Service, Operational Managers and staff involved in the closedown process. A copy of the guidance is attached at Appendix A. There are no significant changes to previous years.

Financial Implications

- 7 These are adequately covered within the report.

Legal Implications

- 8 There are no legal implications in connection with the recommendations included within the report

Risk Implications

- 9 There would be a reputational impact for the Council should it not achieve an unqualified set of accounts of 2012/13. However the progress on closedown to date would conclude that the Timetable is currently being adhered to and the risk of a ‘qualified’ set of accounts is, at this stage, considered to be low.

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Background papers: None

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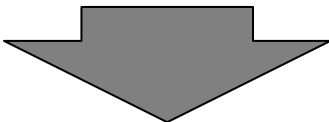
2012/13 YEAR END CLOSING OF ACCOUNTS GUIDANCE

CONTENTS

Section	Topic(s)	Page
	Key Dates	2
1.0	Overview	3
2.0	Budget Holder / Cost Centre Manager Responsibilities	3
3.0	Income	4
4.0	Petty Cash / Cash Floats	4
5.0	Stock	4
6.0	Debtors	5
7.0	Creditors	5
8.0	Payments In Advance	7
9.0	Receipts In Advance	8
10.0	Work In Progress	8
11.0	Carry Forwards	8
12.0	Capital	9
13.0	Other Issues	9
	- Claims by or against the Council	
	- Leases	
	- Grants	
	- People & Equalities	
14.0	External Audit Requirements	10
15.0	Key Contacts	12

KEY DATES

NOW	Read the guidelines – make sure you know what will be required and if in any doubt, contact your Accountant
26 March	Last day for debtor requests to be received in Finance Last day for creditor invoices to be received in Finance
27 March	Last Day for Creditor and Debtor processing on system
28 March	Petty Cash & Stock – any cash balances / stock held must be counted and reconciled at close of business today
5 April	Flex & Toil – data to be returned to Finance
5 April	Petty Cash & Stock – certificates to be returned to your Accountant in Finance
15 April	Accruals forms – all forms to be returned to Finance, with full working papers
30 April	All ledger entries completed – capital and revenue accounts closed
31 May	Provisional Outturn 1 st draft of report completed
12 June	Draft Statement of Accounts completed
27 June	Audit Committee Approval of Draft (Unaudited) Statement of Accounts



1.0 OVERVIEW AND BUDGET HOLDER AND COST CENTRE MANAGER RESPONSIBILITIES

- 1.1 These notes provide guidance for budget holders / cost centre managers in closing the accounts for 2012/13.
- 1.2 The statutory deadline by which the authority must approve its accounts is 30 June.
- 1.3 The key dates in the closure programmes are shown on page 2, your co-operation is vital to achieving these deadlines.
- 1.4 The guide sets out the responsibilities of budget holders / cost centre managers and the commitments made by Finance to support staff during this process and to answer some of the more frequently asked questions which are raised each year.
- 1.5 Throughout this guidance reference is made to “your Accountant” – a directory of key contacts can be found in Section 15 (page 12).

2.0 BUDGET HOLDER / COST CENTRE MANAGER RESPONSIBILITIES

- 2.1 Budget holders and cost centre managers have a key role to play ensuring that the Statement of Accounts fairly reflects expenditure incurred during the year and the income due during the year rather than actual money paid or received.
- 2.2 It is therefore necessary to identify all goods and services received for which no payment has yet been made and account for these as *creditors*; and to identify goods and services provided for which no income has yet been received and to account for these as *debtors*.
- 2.3 It is also vital that you review your service(s) outturn for accuracy and completeness. If known items of income or expenditure appear to be missing or miscoded, talk to your Accountant who will assist you in correcting any errors. Your Accountant will arrange for any necessary transfers (in accordance with journal guidelines and associated certification requirements) within 5 working days.

3.0 INCOME

If I receive income (cash/cheques) do I need to do anything?

- 3.1 If you receive cash or cheques directly into your service, it is important that this is banked through the payments team promptly at the year-end. Please ensure finance receive all cash and cheques by the end of 27th March 2013 to ensure these are posted into 2012/13 accounts.
- 3.2 Any cash or cheques received in finance after this date will be paid into 2013/14, if the cash relates to 2012/13 please talk to your accountant to arrange the transfer.

4.0 PETTY CASH / CHANGE FLOATS

I hold Petty Cash and/or a Change Float – do I need to do anything?

- 4.1 Any cash held should be counted and reconciled at close of business on **28th March 2013**.
- 4.2 If there are any outstanding advances, every effort should be made to clear them before 28th March 2013. If this is not possible, please complete a creditor form for the total of the expected claim.
- 4.3 All balances held must be recorded on a year end **Cash Imprest Certificate**, these will be circulated to all Heads of Service on 15th March, these should be completed, signed by the responsible officer and returned to your Accountant by **5th April 2013**.

5.0 STOCK

What do I need to do if I hold stock?

- 5.1 If you hold any significant amount of stock, then a stock take should be carried out at close of business on **28th March 2013**.
- 5.2 Any stock will need to be counted, recorded and valued as at 31 March 2013. The usual method of valuing stock is the lower of either cost or net realisable value (How much you can sell it for), in most cases this will be cost value. If a different valuation method has been used please state the method used and why on the stock certificate.
- 5.3 During the stock take, please identify any damaged or obsolete stock. Any stock held belonging to third parties must be kept separate from that of the Council.
- 5.4 Stock balances must be recorded on the year end **Stock Valuation Certificate**, these will be circulated to all Heads of Service on 15th March, these should be completed, signed by the responsible officer and returned to your Accountant by **5th April 2013**.
- 5.5 If you are not sure whether or not you need to undertake a stock take, please check with your Accountant. This does not include small stocks of stationery held in departments.

6.0 DEBTORS

What is a debtor?

- 6.1 A debtor is someone who owes money to the Council for goods or services provided on or before 31 March 2013. If you have any debts to raise for goods and/or services you have already provided please complete an invoice request, authorise them and pass them to the Incomes Team in Finance as soon as possible.

What do I do with debtor invoice requests?

- 6.2 Debtor Invoice requests received by the Incomes Team (Nicki Peirce) by 26th March will be processed as normal and no further action is required.
- 6.3 If you have a debtor invoice request that is for 2013/14 please pass these to the incomes team with 2013/14 clearly marked in red on the top right hand corner of the request, these will be raised after the 31st March.
- 6.4 Should you have any 2012/13 debtor invoice requests after 26th March these need to be included on a Debtors form and passed to your Accountant no later than **15th April** for inclusion in 2012/13 accounts.
- 6.5 If your service enters invoices directly onto Agresso, those relating to 2012/13 must be input into Agresso by 5pm on 28th March 2013.
- 6.6 If you have invoices relating to 2013/14 that need to be raised prior to 31st March 2013 please contact a member of the incomes team for advice.

How do I record a debtor?

- 6.7 Where invoice requests have not been raised but debts are outstanding for goods and services provided on or before 31st March, these should be listed on the year end **Debtors Form** and returned to your Accountant by **15th April 2013.**

Does the value matter?

- 6.8 Yes – please do not request individual transactions for less than £500

7.0 CREDITORS

What is a creditor?

- 7.1 A creditor is someone who the Council owes money to for goods and services received on or before 31st March 2013.
- 7.2 A creditor provision is NOT a way of appearing to have spent your budget – it must relate to goods or services provided but not paid for in the financial year and match with the invoice when received. Finance are required to look closely at creditor provisions raised to ensure that they are valid. External Audit will also carry out a review to assess the accuracy of any provision made, and full working papers will need to be provided to substantiate any creditor if requested.

How do I deal with Purchase Orders

- 7.3 The payments team process invoices that they receive from suppliers or yourselves on a daily basis. It is your responsibility to check and chase the suppliers for all invoices relating to outstanding purchase orders in your area.

Orders raised with goods received before 31st March and not yet invoiced will be accrued, please talk to your accountant to ensure these are accrued appropriately

What do I do with Invoices?

- 7.4 If you have invoices on your desk now for goods and/or services you have already received please authorise and pass them to the payments team as soon as possible, marking them clearly with the year to which they relate.
- 7.5 In order to make payments into 2012/13 all authorised invoices must be clearly marked with '2012/13' in red ink and received by the payments team by **5pm on Tuesday 26th March 2013** at the latest. All invoices received by Finance by this time will be processed in 2012/13
- 7.6 Any invoice received by the payments team after the 26th March, should be clearly marked in red ink with the year to which they relate. If they relate to 2012/13 ensure your Management Accountant is aware of these invoices to ensure they are accrued for correctly. Any invoice received with no year clearly marked will be posted into the new financial year.

How do I do a manual creditor?

- 7.7 Amounts payable for goods or services received on or before 31st March 2013 but for which no invoice has been received should be listed on the year end **Creditors Form**.
- 7.8 These forms must be completed and returned to your Accountant by **15th April 2013**.

Do I need to record all manual creditors?

- 7.9 No – please do not request individual transactions for less than £500
- 7.10 Some care should be taken with regard to bulk orders. It may be the case that an individual item is under £500 yet it forms part of a larger order from a single supplier. In this case, the value of the total order should be shown as a creditor, even though this may result in a creditor on any particular expenditure code being under the £500 level.
- 7.11 With regard to electricity / fuel bills and other regular payments, there may be some situations where a creditor does not need to be made, despite the fact that the item may be over £500. Please speak to your Accountant to agree where this is the case.
- 7.12 Where regular payments are made (e.g. quarterly subscriptions), a pragmatic approach should be taken, where the expense shown in the accounts should be the correct amount for the year; if not, make sure that there are four payments (if a quarterly account) within the financial year in question covering the 12 month period.

What happens if the value of the creditor is unknown?

- 7.13 As creditors should cover any goods or services received but for which an invoice has not been paid, it is quite likely that the value of some creditors will not be known and an estimate will be required. Please do not wait until an invoice is received, your best

estimate of the value will be sufficient, but if you need any assistance with estimation please contact your Management Accountant. You will still be required to provide working papers to support your estimation.

- 7.14 It is possible in extreme circumstances to alter the estimate if the actual value is significantly different. However, this can only be done up to 15th April and will not normally be done unless the value of the change is greater than £5,000. If this is the case, please notify your Management Accountant as soon as possible.

What happens if I miss a creditor provision?

- 7.15 Each year the External Auditors will review invoices paid in the New Year to see if they relate to goods or services supplied in the old year and whether a creditor has been missed. The auditors will report these findings to Audit & Governance Committee and if items have been missed they will be reported as errors. In order to avoid this, please make sure that you perform a full review of all your budgets.
- 7.16 If you receive an unexpected invoice after the 15th April 2013 deadline for which a creditor should be provided, please process in the New Year as normal but if it is for a value of £5,000 or over, speak to your Accountant.

What records should I keep/provide?

- 7.17 You should provide all supporting documentation for all creditor provisions (e.g. delivery notes, confirmation of attendance at a course, etc.) so that we can supply this to the External Auditor.

What happens if goods ordered against 2013/14 budgets arrive before 1 April 2013?

- 7.18 Whilst this is not normal practice, but we do recognise that in exceptional circumstances this may arise. In the situation where goods have been ordered with the intention of being paid from 2013/14 budget but arrive before 31st March these must show in 2012/13 accounts.

8.0 PAYMENTS IN ADVANCE / PREPAYMENTS

What is a payment in advance?

- 8.1 A payment that has been made before 31st March 2013 for the supply of goods or services after that date.
- 8.2 A typical example would be an annual subscription paid in October 2012; there should only be 6 months in 2012/13 to cover the period to 31st March 2013, and 6 months in 2013/14. Assuming the subscription was for £1,000 then there would be a payment in advance of £500.

What do I do if I think I have a payment in advance?

- 8.3 Speak to your Accountant who will be able to advise you. As with a pragmatic approach should be taken and as long as a full years cost is accounted for in each financial year a payment in advance may not be necessary.
- 8.4 If a payment in advance has taken place, please complete the year end **Payment In Advance Form** and return to Finance by 15th April 2013.

8.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

9.0 RECEIPTS IN ADVANCE

What is a receipt in advance?

- 9.1 Income that has been received before 31st March 2013 for goods or services supplied after that date.
- 9.2 A typical example would be external income received in advance for an event or course being held by the Council. If the income is received in March 2013 and the event or course is not held until April 2013, this is a receipt in advance and therefore should be included within 2012/13 accounts.

What do I do if I think I have a receipt in advance?

- 9.3 Speak to your Accountant who will be able to advise you.
- 9.4 If a receipt in advance has taken place, complete the year end **Receipts In Advance Form** and return to Finance by **15th April 2013**.
- 9.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

10.0 WORK IN PROGRESS

What is work in progress?

- 10.1 Work that has been carried out on an ongoing project or scheme before 31st March 2013, but will not be completed and/or invoiced until after 1 April 2013.

How do I value work in progress?

- 10.2 For work in progress to be valued correctly, expenditure will have to have been incurred on or before 31st March 2013, that is materials and goods must have been physically received on or before that date. Likewise, any direct labour must have been physically carried out on or before 31st March 2013.

What do I do if I think I should account for work in progress?

- 10.3 Please speak to your Management Accountant who will be able to advise you if a provision for work in progress is required and assist you with calculating the provision.

11.0 CARRY FORWARD REQUESTS

- 11.1 If you have a specific request for a carry forward, please complete a carry forward request form and return to finance by 15th April 2013.
- 11.2 Each request will be consider on a case by case basis by the Head of Finance in conjunction with Directors and in light of the overall outturn position of the Council.
- 11.3 Any requests below £5k will be assessed by the Head of Finance, and any over this amount will need to be submitted to CEB.

12.0 CAPITAL

Is capital closure any different?

- 12.1 Accounting for capital spending of the Council involves special care. Whilst in principal the procedures outlined above should be followed for capital as well as revenue, it is essential that capital accruals are recorded on separate schedules from revenue.
- 12.2 If you are responsible for capital spending, you must ensure that all capital accruals are advised to your Accountant by **15th April 2013** using the appropriate Capital Creditor forms.

Capital Contracts Retention and Certification of Work

- 12.3 Measurement of capital works is vital. Contracts where retention is relevant should be identified and the retention costs reported to your Accountant. Where possible valuations for capital works in progress should be undertaken as close to the 31st March 2013 as possible so that the correct value of works to date is recorded in the accounts. Any invoice submitted relating to such valuations not paid in 2012/13 should be submitted on the appropriate Capital Creditors Form by **15th April 2013**.

Commitments Under Capital Contracts

- 12.4 We are required to disclose within the Statement of Accounts where we have committed future resources to capital projects, either contracted as at 31st March 2013 but not yet started, or projects that are running but not complete and will represent a commitment to future capital spend.
- 12.5 If you are responsible for a capital project, you must provide a calculation of the commitment entered into and an indication of when the spend will take place. This should not include capital creditors which you have already actioned.
- 12.6 Should you require any general assistance regarding capital closure, please contact your Accountant.

13.0 OTHER ISSUES

Claims by or against the Council

- 13.1 Claims made by, or against the Council can lead to contingent assets or liabilities. These are items that may either lead to the inclusion of a note to the accounts or a specific amount being adjusted through the revenue accounts. Please inform your Accountant if you are aware of any such claims outstanding as at the year end who will then ensure that any liability or asset is correctly identified and disclosed within the accounts.
- 13.2 You will need to provide an estimate of the financial impact and indicate the uncertainties relating to the timing and/or amount of the claim.

Leases

- 13.3 Where the Council receives income from assets leased to others (i.e. the Council is the Lessor), summary details must be published within the Statement of Accounts setting out the value of the assets and the income received under such arrangements.

- 13.4 Alternatively, if you lease an asset from another party to use in the provision of your services (i.e. the Council is the Lessee). Details of the payments made under the terms of these leases, along with the financial value of the remaining lease term after 1st April 2013 is required.
- 13.5 If you are responsible for leasing the Council's property to others or lease assets for your service, please talk to your Accountant who will be able to advise you of the detailed requirements.

Grants

- 13.6 Please inform your Accountant if you receive grant income. The treatment of the grant income in the accounts depends on the terms and conditions of the grant received. Consequently it is necessary to ensure that all terms of the grant are identified and met e.g. what expenditure is eligible to be claimed for in grant, whether the grant can be carried forward to spend in future years, if the grant is capital or revenue, whether the grant is repayable etc.
- 13.7 Usually, a separate account code will have been created to record transactions against the grant, which can then be monitored to ensure claims are submitted as and when required and where applicable to enable an audit of the grant claim to be undertaken.
- 13.8 Any grants received that have not been fully utilised at the year end should be identified and the relevant paperwork provided to your Accountant, **by the 15th April**, relating to the residual balance which may then be carried over into the new financial year, if this is allowable under the terms of the grant.

Recording Leave, Flex and Toil

- 13.9 Under the accounting regulations, we are now required to account for any holiday entitlement (annual leave, time off in lieu, flexi-leave, etc.) due to staff as at the end of the financial year. Annual Leave information will be obtained from I-trent, however we will need to collate any Flex or TOIL balances as at 31st March for all staff directly from the Service area. A form will be sent out to all Heads of Service towards the end of March to collect this information, which must be provided to Finance by the **5th April 2013** at the latest.

14.0 EXTERNAL AUDIT REQUIREMENTS

- 14.1 With effect from October 2012 the Councils external auditors changed from the Audit Commission to Ernst and Young and they will be undertaking the audit of the 2012/13 financial statements. The audit will commence on the 7th July 2013 and can be for a period of up to 3 months.

Interim Audit –	w/c 4 th Mar for 2 weeks
Statement of Accounts –	7 th July for up to 3 months

- 14.2 The Interim Audit is concerned with documenting the main financial processes, identifying key controls and assessing the effectiveness of these controls. The result of this work allows the auditor to assess the risks that specific figures stated in the

2012/13 Financial Statements might be misstated. The auditor will look to spend time with selected Council officers in order to understand and 'walk through' the systems.

- 14.3 The assessment of control risk helps determine the amount of detailed audit work that will be required to verify balances presented in the 2012/13 financial statements, which is the purpose of the second audit visit. This work will usually consist of either 'analytical review' or 'substantive testing'.
- 14.4 Analytical review looks for a detailed explanation, supported by evidence, for any changes in an account balance in comparison to expectations (e.g. against the budget or last years figure). Substantive testing looks to verify a 'sample' of the components which make up a balance, by matching them to primary third party evidence (e.g. supplier invoices to verify a creditor balance).
- 14.5 In most cases responsible budget managers or Heads of Service will be required to get involved in this process along with the Accountant for that Cost Centre. Please inform your Accountant as soon as possible of any leave that is to be taken at the same time as the planned audit periods so that the auditors work can be rescheduled.
- 14.6 For the analytical review the auditors will look at financial balances which differ from what was expected either from past experience or from projections made at the start of the year. These differences can sometimes be an indicator of misstatement, changes in the allocation of transactions which make up the balance or that transactions are missing from the balance. This will involve an investigation of significant variances between the actual figure at 2012/13 year end, the 2012/13 budget and the figure at the 2011/12 prior year end.
- 14.7 For substantive testing, a sample of transactions making up an account balance will be selected and the auditors will look to verify the value, timing and existence of these transactions (e.g. a debtor or creditor). This provides assurance that transactions actually took place and are recorded in the correct accounting period at the correct value. To do this they will need to see original evidence, preferably from a 3rd party (e.g. the invoice or purchase order to which it relates)
- 14.8 The Auditors will supply in advance, a list of specific evidence that will be required to support the audit and budget holders may be expected to contribute towards this. In addition, the Auditors may request further information as the audit work progresses. Requested information must be supplied promptly, in order to avoid overruns in the audit timetable.

15.0 KEY CONTACTS

Overall Process	Anna Winship		2517
	Accountant	Business Partner	
Finance	James Marriot	Emma Burson	2732
Business Improvement and Technology	Paul Swaffield	Emma Burson	2481
Human Resources and Facilities	Marie Molyneux	Emma Burson	2174
Law and Governance	James Marriot	Emma Burson	2732
Leisure and Parks	James Marriot	Emma Burson	2732
Policy, Culture and Communication	Paul Swaffield	Emma Burson	2481
Environmental Development	Paul Swaffield	Emma Burson	2481
Corporate Property	Jonathan Marks	David Watt	2105
City Development	Jonathan Marks	David Watt	2105
Housing	Endah Paton	David Watt	2534
Community and Development Team	Endah Paton	David Watt	2534
Customer Services	Marie Molyneux	Emma Burson	2174
Direct Services	Suzan Smart	Lyn Barker	2483
Housing Revenue Account	Val Craddock	David Watt	2102
Accounts Payable / Creditors	Denise Sheppard	Andrew Woodward	2607
Accounts Receivable / Debtors	Nicki Peirce	Andrew Woodward	2653
Capital	Andrew Friar	Anna Winship	2763
Other			
Collection Fund	Adrian Wood		2619
Treasury Management	Anna Winship		2517
Insurance	Anna Winship		2517
Housing Benefits	Adrian Wood		2619

To: Audit & Governance Committee

Date: 18th April 2013

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 listed in Appendix A.

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. However, if there are any recommendations that are less than 50% complete but have not yet exceeded their expected completion date these are also marked as green.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

External Audit Recommendations

There are no red recommendations on the external audit recommendation tracker and therefore no outstanding recommendations which would give cause for concern.

- 4 There are two external audit recommendations. There is one recommendation relating to PC and Laptop assets being recorded with their location which will be completed as part of the Windows 7 installation which is now in progress, and due to be completed by end of May 2013. The other remaining recommendation relates to ensuring that all members complete the annual related party disclosures. These have now been sent out to all members and over 40% have already been returned. A process of chasing to ensure all returns are made will be carried out over the coming weeks.
- 5 There are no external audit recommendations that have exceeded their completion date.

Internal Audit recommendations

- 6 There are three new internal audit reports that have been finalised since the last meeting, covering HR policies; Housing Benefit and Fixed Assets. Recommendations have been made for each review and these have been added to the tracker :
 - HR policy review – This review concentrated on Organisational Change; Performance Improvement and Workforce Planning policies and procedures. Whilst there were four recommendations made on these policies the report also highlights twelve individual strengths across these policies. The original implementation date for three of these recommendation was 31st March, this have been revised to 30th Sept as a more realistic target date and to allow for Council approval of changes to policy where required.
 - Housing Benefit – Low risk rating. There is one low risk recommendation raised in this audit, and one low and one medium risk remaining from prior year audits. The current year finding relates to claims being process in a timely manner. The prior year findings relate to monitoring of quality checks, and ensuring parameter setting changes are reviewed.
 - Fixed Assets – Low risk rating - Two low risk recommendations have been raised in this audit, one relating to operating effectiveness and the physical verification of a small number of assets and the second relating to Control design and the approval of reconciliations. Both have now been resolved.
- 7 There are 6 recommendations on the internal audit recommendation tracker that are not 100% complete. Three of these recommendations relating to the HR policy review have had revised implementation dates. The recommendation relating to Garden waste reconciliation has not been

fully completed and is now over its revised implementation date, with work continuing in this area.

- 8 The recommendation relating to Housing Benefit quality checks is a follow up from prior year findings that had not been completed fully, this is the recommendation that the Committee have previously been keen to track, therefore although it is marked as 100% complete it is expected that this will remain on the tracker through the year. This will allow the Committee to follow its progress. The target of checking 10% of data is now being met, and will continue to be processed throughout the year.
- 9 There are 12 internal audit recommendations that are being reported as 100% complete and these will be removed from the next report.
- 10 There are three recommendations that have had a revised implementation date, these are IA395; IA396 & IA397 relating to HR policy review, this is to ensure that a full review can be made of these policies in a suitable timeline. The revised dates will be met.
- 11 There has been an overall improvement in the outcome of our internal audit reviews over the last two years, with the number of low risk audits increasing significantly, this is an encouraging direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	0	0%	1	7%	2	15%
Medium	3	27%	9	60%	8	62%
Low	8	73%	5	33%	3	23%
	11		15		13	

- 12 Alongside the reduction in risk rating the number of recommendations has also reduced and any recommendations made are now being dealt with in a much timelier manner. The use of the audit tracker and reporting to the Audit & Governance Committee has increased the focus placed on recommendations and ensured they are dealt with more swiftly.

Financial Implications

- 13 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

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

Equalities Impact

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

Climate change/environmental Impact

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

Name and contact details of author:

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

Background papers: None

Audit Tracker

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
EA002	Certification of Claims and Returns	23-Mar-2010	All PC and Laptop Assets recorded with user and location details. All infrastructure Assets to be documented (with photographic evidence where possible) with location details	Medium	The Council should obtain a record of the laptop allocations and confirm their location	Fiona Colcutt	Jane Lubbock	31-Jan-2011	30/5/13	80	Windows 7 Project in progress and all PCs and laptops are being checked and updated. Some duplicates are being removed. An updated full list including location will be available at the end of the project - Expected date May 2013
EA372	Annual Governance report	1-Sep-2012	Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures.	Medium	Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures.	Anna Winship	Anna Winship	31-Mar-2013		50	Requests for completion have been sent out to all Members and those not returned will be chased over the coming weeks
IA355	Insurance	1-Aug-2012	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.	Anna Winship	Anna Winship	30-Dec-2012	31/3/13	100	These procedures have been completed in line with the renewal of the insurance contract - 31st December 2012
IA382	Garden Waste	1-Nov-2012	No reconciliations are performed between Lagan, Whitespace and Agresso to confirm completeness of subscribers and accuracy of income received	Medium	Put in place a regular reconciliation between the three systems.	Lyn Barker	Nigel Kennedy	31-Dec-2012	28/2/2013	80	The data now received in Agresso is much more accurate, with only 12% of the data appearing with insufficient information. With a move to Direct Debits for garden waste will make this reconciliation process much easier and more efficient to complete
IA172	ICT	27-Apr-2010	#####	Medium	#####	Fiona Colcutt	Jane Lubbock	30-Apr-2010	30/9/13	80	The M drive project has been delayed to be done alongside the Windows 7 rollout and this issue will be resolved once SharePoint is implemented.
IA390	Debtors Internal Audit	1-Jan-2013	#####	Medium	Lack of appropriate authorisation and/or segregation of duties may mean transactions are initiated or processed incorrectly or by unauthorised personnel.	Andrew Woodward	Andrew Woodward	31-Mar-2013		100	#####
IA394	General Ledger Internal Audit	1-Jan-2013	A leavers form must be completed for all officers leaving the Council. At this point, any salary or holiday owed to or by the individual are calculated. During testing of leavers	Medium	Leavers are overpaid.	Sean Hoskin	Sean Hoskin	1-Jan-2013		100	Details attached in previous comment.
IA395	HR Policy Review	1-Mar-2013	Organisational Change Policy The majority of other Councils incorporate the redundancy pay scheme within their policy whereas the Council's equivalent policy is included in a separate document	Medium	The redundancy pay scheme policy is included within the Organisational Change policy.	Simon Howick	Simon Howick	1-Apr-2013	30-Sep-2013	10	Agreed. The Council will incorporate the redundancy pay scheme policy within the Organisational Change policy. Also, the policy repeats itself in appendix one and a rationalisation of this will help with clarity and brevity.
IA396	HR Policy Review	1-Mar-2013	Performance Improvement Policy- The staff expectations section within the policy is limited and there is little information on how staff can maintain or improve performance.	Medium	A section is added in the policy for staff on how they can maintain or improve their own performance	Simon Howick	Simon Howick	1-Apr-2013	30-Sep-2013	10	Agreed. More clarity will be added to the policy around how staff can improve their performance
IA397	HR Policy Review	1-Mar-2013	Performance Improvement Policy- The informal stage of the performance improvement policy does not give guidance on timescales which causes confusion amongst employees and managers.	Medium	Guidance around the informal stage of the policy is written.	Simon Howick	Simon Howick	1-Apr-2013	30-Sep-2013	10	Agreed.

IA398	HR Policy Review	1-Mar-2013	#####	Medium	#####	Simon Howick	Simon Howick	30-Sep-2013		10	#####
IA354	Health and Safety	1-Aug-2012	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.	Mark Preston	Mark Preston	21-Aug-2012	31/3/2013	100	now complete
IA358	Insurance	1-Aug-2012	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	Anna Winship	Anna Winship	30-Dec-2012	31/3/13	100	KPIs were not considered to be an integral part of the insurance process at this stage
IA359	Insurance	1-Aug-2012	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	Anna Winship	Anna Winship	30-Dec-2012	31/3/13	100	This has been included in the revised procedure notes
IA389	Debtors Internal Audit	1-Jan-2013	Exception reports are not produced for amendments to standing data on a frequent basis.	Low	Unauthorised or unusual amendments may not be identified and rectified as appropriate.	Andrew Woodward	Andrew Woodward	31-Mar-2013		100	now completed
IA399	Housing Benefits	1-Mar-2013	#####	Low	The Council will make use of an advanced feature which Capital offers to automate the process of DWP notifications within Academy. All other parts of the process will be reviewed to find efficiencies	Paul Wilding	Paul Wilding	31-Mar-2013		100	The Council have made use of an advanced feature which Capital offers to automate the process of DWP notifications within Academy. All other parts of the process have been reviewed to find efficiencies
IA400	Housing Benefits	1-Mar-2013	#####	Low	Checks will be carried out consistently on a monthly basis throughout the remainder of the year and the new target will be achieved on a monthly basis	Helen Bishop	Helen Bishop	31-Mar-2013		100	The target of carrying out a 10% check is now being met, and this will be monitored on a monthly basis to ensure this continues.
IA401	Housing Benefits	1-Mar-2013	The Local Housing Allowance (LHA) parameters are now updated on an annual basis; however checks are still not performed to confirm they have been accurately updated on the system. Other points have been addressed appropriately.	Low	The Local Housing Allowance parameters will be checked after being updated and evidence of this check will be retained	Paul Wilding	Paul Wilding	31-Mar-2013		100	Parameters are checked and evidence maintained
IA403	Fixed Assets Review	1-Mar-2013	Reconciliations not being performed or reviewed on a timely basis	Low	Reconciliations will be signed and dated by both the preparer and the reviewer to ensure there is an audit trail	Anna Winship	Anna Winship	31-Mar-2013		100	a process to ensure all reconciliations are signed and dated is now in place
IA404	Fixed Assets Review	1-Mar-2013	#####	Low	For the 12 assets, the process for review will be at year end. Finance will request confirmation of the existence, value and life of each of these assets from those officers responsible. This information will then be fed into the asset register	Nigel Kennedy	Andrew Friar	31-Mar-2013		100	this process is now underway as part of the year end work being carried out by the team.

Internal Audit Annual Report 2012/2013

DRAFT

Oxford City Council
April 2013

DRAFT

Contents

1. Executive summary	1
2. Summary of findings	3
3. Internal Audit work conducted	4
4. Follow up work conducted	8
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Appendices	9
Appendix 1: Limitations and responsibilities	10
Appendix 2: Basis of our classifications	11

Distribution List

S151 Officer
 Chief Executive
 Corporate Management Team
 Audit and Governance Committee

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council.

1. *Executive summary*

Background

The relevant internal audit standards, CIPFA's Audit Code of Practice require that the Head of Internal Audit provides a written report to the Audit and Governance Committee, timed to inform the organisation's Annual Governance Statement. As such, the purpose of this report is to present our view on the adequacy and effectiveness of Oxford City Council's system of governance, risk management and control.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Audit and Governance Committee should look to gain assurance. This report does not supplant the Council's responsibility for forming its own view on governance, risk management and control.

This report covers the period to the year ended 31 March 2013.

Scope

Our findings are based on the results of the internal audit work performed as set out in the 2012/13 Internal Audit Plan approved by the Audit and Governance Committee. All changes have been outlined in our update reports taken to this committee during the year

Our opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to CIPFA's Audit Code of Practice. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our work was designed to comply with CIPFA's Audit Code of Practice which must be followed for internal audit in local government

Opinion

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our 2012/13 Internal Audit Plan and Individual Assignment Reports.

We have completed the program of internal audit work for the year ended 31 March 2013 with the exception of the following reviews, where the fieldwork has commenced or been completed and will be finalised post 31 March 2013:

Value protection reviews

- Finance year end support (to be delivered during Q1 of FY14 as planned)
- Budgetary Control and Efficiency Savings (draft report)
- Law and Governance – Business Continuity (ongoing)

Value enhancement reviews

- ICT– Disaster Recovery (ongoing)
- Law and Governance – Member Development (ongoing)

We have completed the program of internal audit work for the year ended 31st March 2013 with the exception of the reviews highlighted above. Our work identified 36 low and 17 moderate rated findings. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas

to enhance the adequacy and / or effectiveness of governance, risk management and internal control.

We identified no critical or high rated findings, with medium rated findings identified only as part of the debtors, creditors, insurance and direct payment reviews. Details of the medium rated issues have been reported within the individual reports presented to the Audit and Governance Committee. A summary of our key findings is described in further detail on page 4.

On pages 5 and 6 we show the direction of travel for both individual review areas and for the number of audit recommendations in each risk category (critical, high, medium and low). Both show positive signs on the overall control environment at the Council.

For many of the areas reviewed in the year, the rating was either better or the same as last year. The number of internal audit findings and recommendations has decreased with a total number of 53 findings in 2012/13 compared to 70 in the previous year. Although the mix and focus of our internal work have differed between years and therefore results may not be directly comparable, the reduction in findings, particularly in the high rated findings from 4 to 0, should be a source of considerable comfort.

Reviews deferred into 2013/14 Plan*Finance – Fixed Asset Register Implementation*

The Council currently use Excel for their Fixed Asset Register (“FAR”) and were due to implement a FAR during 2012/13, this was confirmed as not being implemented before 31 March 2013. The review has been deferred into the 2013/14 plan where value from an internal audit review will be delivered once the new FAR has been implemented.

Corporate Assets – Asset Management Strategy

The Council approved the new Asset Management Strategy in October 2012; therefore it is considered that value is delivered through internal audit undertaking an independent review following the Council’s review of the Asset Management Strategy in July 2013.

Acknowledgement

We would like to take this opportunity to thank all audit sponsors, heads of service and members of the Audit and Governance Committee for their co-operation and assistance provided during the year.

2. Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year 2012/13 is recorded in the table below:

<i>Description</i>	<i>Detail</i>
<p>Overview</p> <p>We undertook 23 internal audit reviews. This resulted in the identification of 0 critical, 0 high, 17 medium and 36 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.</p>	<p>Our audit plan was scoped to address the Council's key risks and strategic objectives. We mapped each review to these areas in our 2012/13 Internal Audit plan</p> <p>We have completed our internal audit plan in line with the set timescales and have supported the Council with their year-end close down procedures and in their assessment of fraud.</p> <p>Our plan included 7 'value enhancement' reviews and we have mobilised specialists in the areas of ICT and finance in year.</p>
<p>Internal Control Issues</p> <p>During the course of our work we identified no high risk issues which the Council should consider for inclusion in its Annual Governance Statement.</p>	<p>No high risk issues to highlight</p>
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p>The following reviews were classified as low risk for 2012/13:</p> <ul style="list-style-type: none"> • General Ledger • Payroll • Budgetary Control and Efficiency Savings * • Collection Fund • Housing Benefits • Fixed Assets • Car Parking • Performance Management • Corporate Assets – Commercial Property Follow Up • Direct Services – Garden Waste

* - Still in draft at the time of this report

3. Internal Audit work conducted










Introduction


Our internal audit work was conducted in accordance with our letter of engagement, CIPFA's Audit Code of Practice and the 2012/13 Internal Audit Plan.

The table below sets out the results of our internal audit value protection work and implications for next year's plan. The direction of travel is also analysed so management can consider whether they should take action to reverse a trend or address stagnation.

We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

Results of individual assignments






Audit unit	Report status	Direction of travel	Report classification	Number of findings			
				Critical	High	Medium	Low
General Ledger	Final		Low Risk	0	0	1	1
Debtors	Final		Medium Risk	0	0	2	1
Creditors	Final		Medium Risk	0	0	2	3
Payroll	Final		Low Risk	0	0	1	0
Budgetary Control and Efficiency Savings	Ongoing	No previous review performed	Low Risk	0	0	0	3
Collection Fund	Draft		Low Risk	0	0	1	1
Housing Benefits	Final		Low Risk	0	0	1	2
Fixed Assets	Final	No previous review performed	Low Risk	0	0	0	2
Car Parking	Final		Low Risk	0	0	0	4
Risk Management and Performance	Draft		Low Risk	0	0	3	5
Finance – Insurance	Final	No previous review performed	Medium Risk	0	0	2	4
Corporate Assets – Commercial Property Follow Up	Final		Low Risk	0	0	1	2
Housing and Communities – Direct Payments	Draft	No previous review performed	Low Risk	0	0	1	4

Direct Services – Garden Waste	Final	No previous review performed	Low Risk	0	0	1	2
Law and Governance – Disaster Recovery	Ongoing	No previous review performed					
People and Equalities – Health and Safety	Final		Low Risk	0	0	1	2
Total				0	0	17	36

In addition we have carried out the following value enhancement reviews where no risk rating has been provided. No significant issues were noted in these reports or through the work performed to date for consideration in the Annual Governance Statement:

- Law and Governance – Member Development: (Ongoing)
- Business Improvement – P2P Implementation (Specialist): (Draft)
- Fraud Risk Assessment: (Final)
- HR previously People and Equalities – Policy Review: (Final)
- Health and Safety – Housing and Communities and Corporate Assets: (Draft)
- Barton Project: (Final)
- Standard Operating Procedures: (Final)

Direction of travel

Finding rating	Trend between current and prior year	Number of findings		
		2012/13	2011/12	2010/11
Critical		0	0	0
High		0	4	30
Medium		17	30	93
Low		36	36	52
Total		53	70	162

It should be noted that the mix and focus of internal audit plans have differed between years and therefore these results may not be directly comparable.

Management should look to concentrate on those areas of stagnant or deteriorating performance (e.g. Creditors) and those where performance has decreased (e.g. Debtors) to ensure that controls in these areas are improved. Actions may include raising awareness, training, increasing compliance checks or improved escalation processes.

Comparison of planned and actual activity

Audit Unit	Audit Type	Budgeted days	Actual days	Reasons for variance
General Ledger	Value protection	5	5	
Debtors		5	5	
Creditors		5	5	
Payroll		5	5	
Budgetary Control and Efficiency Savings		5	5	
Collection Fund		10	10	
Housing Benefits		5	5	
Fixed Assets		5	5	
Car Parking		5	5	
Governance		2	2	To be utilised as part of the Law and Governance Review of Member Development commenced quarter 4 2012/13.
Risk Management and Performance		10	10	
Finance – Fixed Asset Register Implementation		5	0	Deferred to 2013/14 to be delivered following implementation.
Finance – Year End Support		5	5	To be delivered in June 2013 as planned.
Finance – Insurance		5	5	
Corporate Assets – Commercial Property Follow Up		5	5	
Housing and Communities – Northgate Testing		5	0	Review cancelled as Capita undertook this work. Days utilised for Health and Safety Review (5 days).
Housing and Communities – Direct Payments		7	7	
Business Improvement – Data Quality		8	0	Review cancelled as Data Quality covered in Risk Management review. Days part utilised for Standard Operating Procedure review (5 days).
Direct Services – Garden Waste		5	5	
Law and Governance – Business Continuity	Value Protection / Specialist	5	5	Work to be completed quarter 1 2013/14
ICT Strategy – Windows Licensing		13	0	Review cancelled.
ICT – Lagan Post Implementation and Benefits Realisation		10	0	Review cancelled. Days utilised for IT Disaster Recovery review (10 days)
People and Equalities – Health and Safety	Value Protection	5	5	

Law and Governance – Member Development	Value Enhancement	10	10	Work commenced in quarter 4 to be completed quarter 1 2013/14	
Direct Services – Transport Services, VfM and Trading Services		10	0	Review cancelled.	
ICT – IT Disaster Recovery		0	10		
Business Improvement – P2P Implementation	Value Enhancement / Specialist	10	10		
Fraud Risk Assessment	Value Enhancement	5	5		
HR previously People and Equalities – Policy Review		10	10		
Corporate Asset – Asset Management Strategy		5	0	Deferred to Q2 2013/14 (5 days)	
Health and Safety – Housing and Communities and Corporate Assets		0	5		
Barton Project		0	5		
Standard Operating Procedures		0	5		
Follow Up			5	5	
Audit Management			25	25	
Subtotal			220	189	
2011/12 Roll Forward Repairs and Maintenance	Value Enhancement	4	4		
2011/12 Roll Forward Project Management		5	0	Days utilised for Barton Project review (5 days).	
Contingency		3	3		
Total		232	196		
<i>Rolled forward to 2013/14 plan</i>			10		
<i>Removed from plan (net)</i>			26		
Planned days			232		

4. Follow up work conducted

Introduction

Within the Internal Audit Plan for 2012/13, 5 days were assigned for following up recommendations raised during previous periods in order to assess whether agreed actions had been implemented by management.

Results of follow up work

We have considered the progress made and reported this where relevant in each individual report issued throughout the year. There are no matters that we wish to specifically draw out here. We considered the following areas:

- General Ledger
- Debtors
- Creditors
- Payroll
- Collection Fund
- Housing Benefits
- Car Parking
- Risk Management and Performance
- Corporate Assets – Commercial Property Follow Up

Summary

We recommend that further work is conducted to ensure all previously agreed recommendations are implemented at the earliest opportunity or where now superseded cleared at the appropriate time. Issues have been re-raised in the current year where relevant.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Audit and Governance Committee, subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed 2012/13 Internal Audit Plan, which initially provided for 220 internal audit days. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our individual assignment reports.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit and Governance Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control:

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. 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 Oxford City Council is for the year ended 31 March 2013. Historic evaluation of effectiveness may not be 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.

The specific time period for each individual internal audit is recorded within section 3 of this report.

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

Appendix 2: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

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

Individual finding ratings

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



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AUDIT AND GOVERNANCE COMMITTEE

Thursday 28 February 2013

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

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), Steve Sprason (Head of Corporate Assets), Helen Bishop (Head of Customer Services), Paul Wilding (Customer Services), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Maria Grindley (Ernst & Young) and Susan Whipp (Ernst and Young).

39. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mike Rowley.

40. DECLARATIONS OF INTEREST

No declarations of interests were made.

41. PERFORMANCE OF BENEFITS SERVICE

The Head of Customer Services submitted a report (previously circulated, now appended) which provided an update on the performance of the Benefits Service.

Helen Bishop, Head of Customer Services introduced the report.

Councillor Fry asked how the risk based verification was conducted on new claimants. In response Paul Wilding said that the data was collected and compared against a central database and the likelihood of something going wrong (the risk). The Council would then receive a score back (high/medium/low) on each claim. Every time a claim was made, this information would be added to the database.

Councillor Simmons expressed surprise that the targets could continue to be met. In response Paul Wilding said that the quality of the service was very important. Officers checked against the Council's claim data to maximise the grant that it could claim from the Government. The Council ensured that the Benefits Assessors were good so that the claimants received the best advice possible. He added that from September 2012 a new quality process had been introduced where 4% of claims were checked with the number of claims checked to rise to 10%.

Councillor Simmons commented on the Resilience contract which has not been mentioned. In response Paul Wilding said that the Council had a contract with Mouchel Plc. He said that the Department for Work and Pensions (DWP) had in

the past made additional funding for the increase in claims and it was this funding that paid for the contract. He further added that the contract would be reviewed in the summer.

Councillor Rundle asked if benchmarking took place. In response Paul Wilding confirmed that this did happen each year through CIPFA.

Councillor Brett regarding performance improvement asked what training was given to staff. In response Paul Wilding said that training was very important and part of the "business as usual" approach. He added that Officers had meetings with registered social landlords (RSL's) in the City every three months on welfare reform issues. Officers had also liaised with RSL's on the under occupancy regulations.

The Committee agreed:

- (a) To note the report;
- (b) To thank Helen Bishop and Paul Wilding for attending the meeting and answering questions;
- (c) To request that the Head of Customer Services submit an update report in 12 months to the Audit and Governance Committee.

42. INTERNAL AUDIT SUMMARY REPORT - 2012/13 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 2012/13 audit plan.

Christopher Dickens from Pricewaterhousecoopers introduced the report. He informed the Committee of changes to the Internal Audit Standards which were to be replaced by the new Public Sector Internal Audit Standards. He said that an update would be submitted to the Committee in June 2013. He further added that reports detailing the draft Audit Plan for 2013/14 and the Internal Audit Annual report would be submitted to the Committee in April 2013.

The Committee agreed:

- (a) To note the report;
- (b) To note that the following reports/updates would be submitted to the Audit and Governance Committee:
 - (i) Draft Audit Plan for 2013/14 – April 2013
 - (ii) Internal Audit Annual Report – April 2013
 - (iii) Public Sector Internal Audit Standards – June 2013

43. NEW BARTON DEVELOPMENT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report previously circulated, now appended) on behalf of the Councils internal auditors, Pricewaterhousecoopers (PWC), following a review of the Value for Money aspects of both the contract and procurement process.

Christopher Dickens from PWC introduced the report.

Councillor Simmons had concerns on how the land had been valued. Was the existing use value (EUV) the best way to value the land instead of using market value.

In response Steve Sprason, Head of Corporate Assets said that EUV was the correct choice. The Council was not looking purely at land disposal as there would be a significant cost in providing the infrastructure required. He said that the Council would receive a significant return through the infrastructure and any profits through the LLP. He further added that by choosing EUV gave a greater certainty that the homes would be built.

In response to further comments from Members, Steve Sprason said that the EUV also gave S123 Certification and that the Council would receive profits from the LLP.

Councillor Brett said that the primary driver was to provide housing and not to receive a capital receipt. He felt that this was an innovative approach.

Nigel Kennedy, Head of Finance said that the Council would receive quarterly management information and the project would be reflected in the Council's accounts.

Councillor Rundle felt that the percentage of social and private housing on the site was very important and as such the Audit and Governance Committee should monitor this and the LLP. Councillor Simmons added that the Committee also needed to monitor the value that came back to the Council.

Steve Sprason said that a full investment plan had been submitted by the LLP which included a revised projection of profits.

The Committee agreed:

- (a) To thank Steve Sprason, Head of Corporate Assets for attending the meeting and answering questions;
- (b) To continue to monitor the development to ensure that best value is obtained;
- (c) To ensure that the good practices identified in the report were used in future developments.

44. KEY FINANCIAL SYSTEMS - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's internal auditors, Pricewaterhousecoopers (PWC),

which detailed the findings of a review into the design and operating effectiveness of key controls relating to four financial systems during 2012/13.

Christopher Dickens from Pricewaterhousecoopers introduced the report. He drew attention to the fact that nothing had been noted as a high risk. However the authorisation processes overall required some attention, but the report was positive.

Councillor Simmons felt that the Committee should continue to monitor the creditors and debtors and he welcomed that these were going in the right direction.

Councillor Rundle raised concerns on authorisations. In response Nigel Kennedy said that regarding creditors, the role out of purchase to pay, would tighten up the authorisation issues. He added that the first purchase to pay pilots would commence at the start of the new financial year in April.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance to submit a report to the Audit and Governance Committee at the end of the first quarter following the introduction of the purchase to pay pilots to allow the Committee to review its progress.

45. AUDIT PROGRESS REPORT - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's external auditors, Ernst and Young, which detailed the progress made in delivering the work set out in the 2012/13 audit plan.

Maria Grindley from Ernst and Young introduced the report.

The Committee agreed to note the report.

46. AUDIT PLAN 2012-13 - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's external auditors, Ernst and Young which detailed the Audit Plan for 2012/13.

Maria Grindley from Ernst and Young introduced the report.

Councillor Rundle raised the issue of fees. In response Jackie Yates, Executive Director Organisational Development and Corporate Services said that the fees were based on the Council providing the information required for the audits. With regard to the accounts, she said that objections had always been an issue with overspend and that the Council had already received an objection to the accounts for this year.

Councillor Simmons would welcome closer scrutiny of the Housing Revenue Account (HRA) which was self-financing as this had gone well so far.

The Committee agreed to note the report.

47. RISK MANAGEMENT QUARTERLY REPORTING - QUARTER 3, 2012/13

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 3, 31st December 2012.

Nigel Kennedy, Head of Finance introduced the report.

Councillor Fry said that some of the risks highlighted in red were not in the control of the Council. In response Jackie Yates said that despite the fact that these were external factors the Council still had to mitigate against them.

Councillor Brett asked questions on the impact on homelessness due to the changes in housing benefit. In response Jackie Yates confirmed that City Council tenants would be impacted by the under occupancy rules by £500,000.

The Committee agreed:

- (a) To note the report;
- (b) To request that the next quarterly report provides further details on the risks highlighted in red for quarter 3.

48. 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 made on the implementation of internal and external audit recommendations.

Anna Winship from Finance introduced the report.

The Committee agreed to note the report.

49. ANNUAL CERTIFICATION REPORT - 2011-12 - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of Ernst and Young, the Council's external auditors, which detailed the Annual Certification 2011/12.

Maria Grindley from Ernst and Young introduced the report.

The Committee agreed to note the report.

50. ANNUAL AUDIT FEE 2012/13 - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's external auditors, which provided details of the Annual Audit Fee for 2012/13.

Maria Grindley from Ernst and Young introduced the report.

The Committee agreed to note the report.

51. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 29th November 2012.

52. DATES OF FUTURE MEETINGS

The Committee agreed to note that its next meeting would be on Thursday 18th April 2013 at 6.00 pm at the Town Hall.

53. MATTERS EXEMPT FROM PUBLICATION

There were no matters exempt from publication.

The meeting started at 6.00 pm and ended at 7.20 pm