

Agenda

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Audit and Governance Committee

Date: **Thursday 28 November 2013**

Time: **6.00 pm**

Place: **Town Hall**

For any further information please contact:

Mathew Metcalfe, Democratic and Electoral Services Officer

Telephone: 01865 252214

Email: mmetcalfe@oxford.gov.uk

Audit and Governance Committee

Membership

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

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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 EXTERNAL AUDIT PROGRESS REPORT 2013/14 - ERNST AND YOUNG

1 - 8

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 2013/14 audit plan.

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

4 ANNUAL AUDIT LETTER - YEAR ENDING 31ST MARCH 2013 - ERNST AND YOUNG

9 - 18

The Head of Finance has submitted a report on behalf of the Council's External Auditors, Ernst and Young the purpose of which is to communicate the key issues arising from the work of Ernst and Young.

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

5 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

19 - 28

The Head of Finance has submitted a document on behalf of the Council's External Auditors, Ernst and Young which provides a briefing on issues which might have an impact on the City Council.

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

6 INTERNAL AUDIT PROGRESS REPORT 2013/14 - PRICEWATERHOUSECOOPERS (PWC)

29 - 40

The Head of Finance has submitted a report on behalf of the council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the progress made in delivering the work set out in the 2013/14 audit plan.

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

7 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

41 - 46

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

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

8 RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 2 2013/14

47 - 56

The Head of Finance has submitted a report which updates Members on both corporate and service risks as at the end of quarter 2, 30th September 2013.

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

9 MINUTES

57 - 60

Minutes of the meeting held on 26th September 2013.

10 DATES AND TIMES OF MEETINGS

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

Thursday 27th February 2014

Thursday 24th April 2014

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

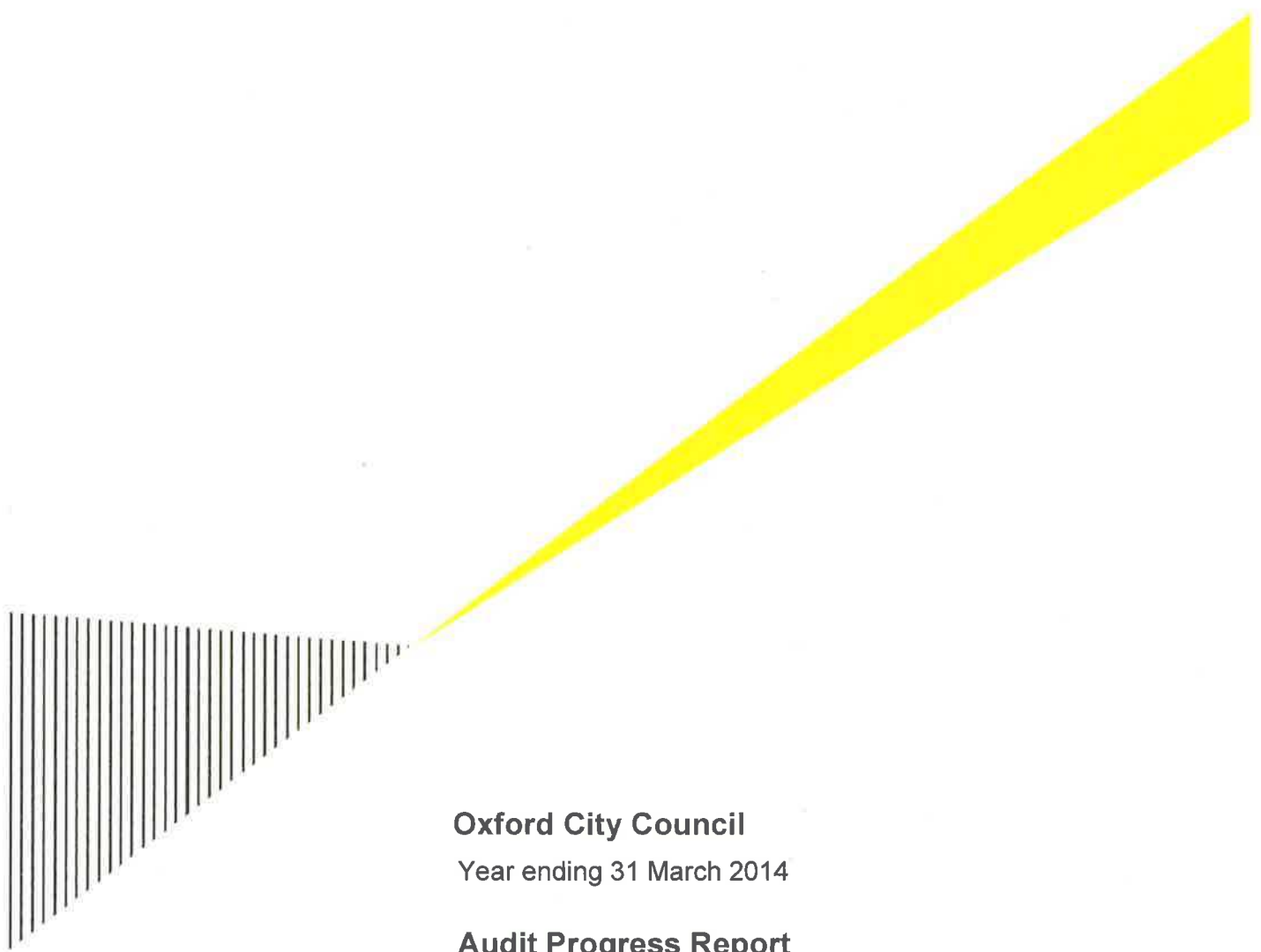
Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

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 2014

Audit Progress Report

November 2013

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

6 November 2013

Dear Councillors

Audit Progress Report - 2013/14

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the stage we have reached in your 2013/14 audit and ensure our audit is aligned with the Committee's 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 brought our Audit Fee Letter to the June 2013 Audit and Governance Committee.

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

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1. Planned work

Meetings

We will continue regular meetings with key officers as part of our ongoing audit process including:

- Fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work;
- Quarterly meetings with the Executive 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 will complete our walk throughs and tests of controls in the New Year, We have shared the IT controls we tested in 2012/13 with your Internal Auditors. Whilst we do not direct the work of Internal Audit, if they cover the controls we wish to rely on we will review their work to see if we can place reliance on it.

Value for money assessment

We will update our risk assessment for our value for money work in line with the Audit Commission's specified criteria and areas of focus. We will report any risks identified in our audit plan which will come to the February 2014 Audit and Governance Committee.

Financial Statements

We will update our risk assessment for our financial statement work following completion of our planning work. We will report any risks identified in our audit plan which will come to the February 2014 Audit and Governance Committee.

Grant claim certification 2013/14

We have not yet started any work on the certification of your 2013/14 claims.

Grant claim certification 2012/13

The only remaining work we have for 2012/13 is the certification of the Housing Benefit and Council Tax Benefit claim and this work is currently underway.

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 2013/14 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 an Annual Audit 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:	June 2013	Fee Letter taken to the June 2013 Audit and Governance Committee
Risk assessment and setting of scopes	December/ January	Report on the audit of 2012/13 grant claims
Testing of routine processes and controls	February 2014	Audit Plan Progress Report (if required)
Value for money conclusion	February/April 2014	
Year-end audit	July – September 2014	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 2014	Annual Audit Letter
Grant claims	December 2014	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 update our planning throughout the course of our audit.

Appendix 1: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	June 2013	Completed	Reported to Those Charged With Governance July 2013
2012/13 grant claim report	January 2014	not due	
Audit Plan	January 2014	not due	
Report to Those Charged with Governance	September 2014	not due	
Audit Report (including opinion and vfm conclusion)	September 2014	not due	
Audit Certificate	September 2014	not due	
WGA Certificate	October 2014	not due	
Annual Audit Letter	October 2014	not due	
Report on the Audit of Grant Claims	January 2015	not due	

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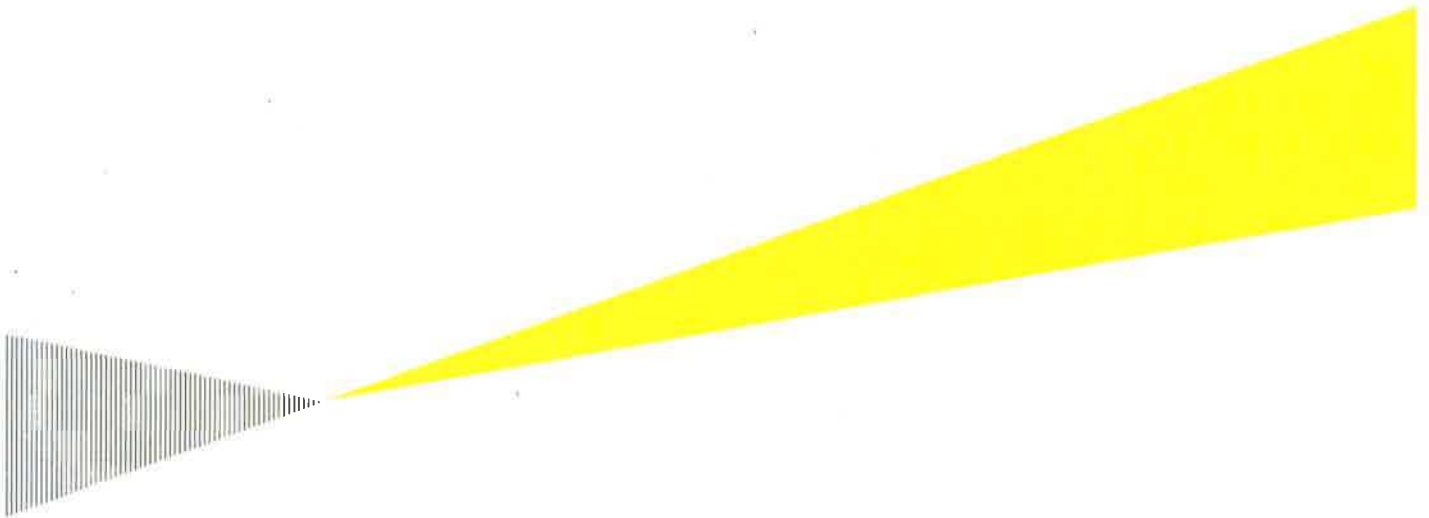
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Oxford City Council

Year ending 31 March 2013

Annual Audit Letter

23 October 2013



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The Members
Oxford City Council
Town Hall
St Aldates
Oxford OX1 1BX

25 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Oxford City Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Oxford City Council in the following report:

2012/13 Audit Results Report for Oxford City Council Issued 27 September 2013

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Oxford City Council for their assistance during the course of our work.

Yours faithfully

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

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 14 February 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Oxford City Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 27 September 2013 we issued an unqualified audit opinion.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 27 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit and Governance Committee) communicating significant findings resulting from our audit.	On 27 September 2013 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 27 September 2013.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 27 September 2013 we issued our audit completion certificate
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.	We will issue our report in January 2014 once this work has been completed.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 27 September 2013.

I am pleased to report that the audit progressed smoothly with a good standard of working papers provided. The number and scale of the errors is much reduced from prior years. There are no significant issues from our audit which we wish to draw to your attention.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30 September 2013. Our audit did not identify any significant matters.

2.3 Objections received

We received no objection to the 2012/13 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office on 27 September 2013 the results of our work performed in relation to the accuracy of the consolidation pack where the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We presented our Annual Certification Report for 2011/12 to those charged with governance on 28 February 2013. We certified 4 claims and returns worth £164m. We did not identify any significant issues from the certification of the claims and returns. We issued one qualification letter in relation to the Housing Benefit claim concerning incorrectly classified overpayments. We will issue the Annual Certification Report for 2012/13 in January 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Authority, if necessary, any significant deficiencies in internal control.

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

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Local Government Audit Committee briefing

Contents at a glance

Sector and economic news

Accounting, auditing and governance

Regulation news

Find out more

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Sector and economic news

Proposals for the use of capital receipts from asset sales to invest in reforming services

On 25 July 2013 the Government launched a consultation on 'Proposals for the use of capital receipts from asset sales to invest in reforming services'. The consultation aimed to gather views from the Local Government sector on proposals to allow part or even the whole of a capital receipt from new asset sales to be used for one-off revenue purposes.

The broad aims of the proposed policy are to:

- ▶ Encourage good asset management planning and incentivise the appropriate sale of local authority assets so that they are put into productive use and support growth.
- ▶ To enable additional resources, from local authority asset sales, to give a capital receipt flexibility for the one-off cost of reforming, integrating or restructuring services.

Views were sought to gauge the level of support for the proposed policy, as well as comments on how it would work in practice and the mechanisms for delivery.

A competitive bidding process is the preferred mechanism for approving such use of capital receipts. It is proposed that any application under a bid based process should set out a cost/benefit analysis to demonstrate value for money.

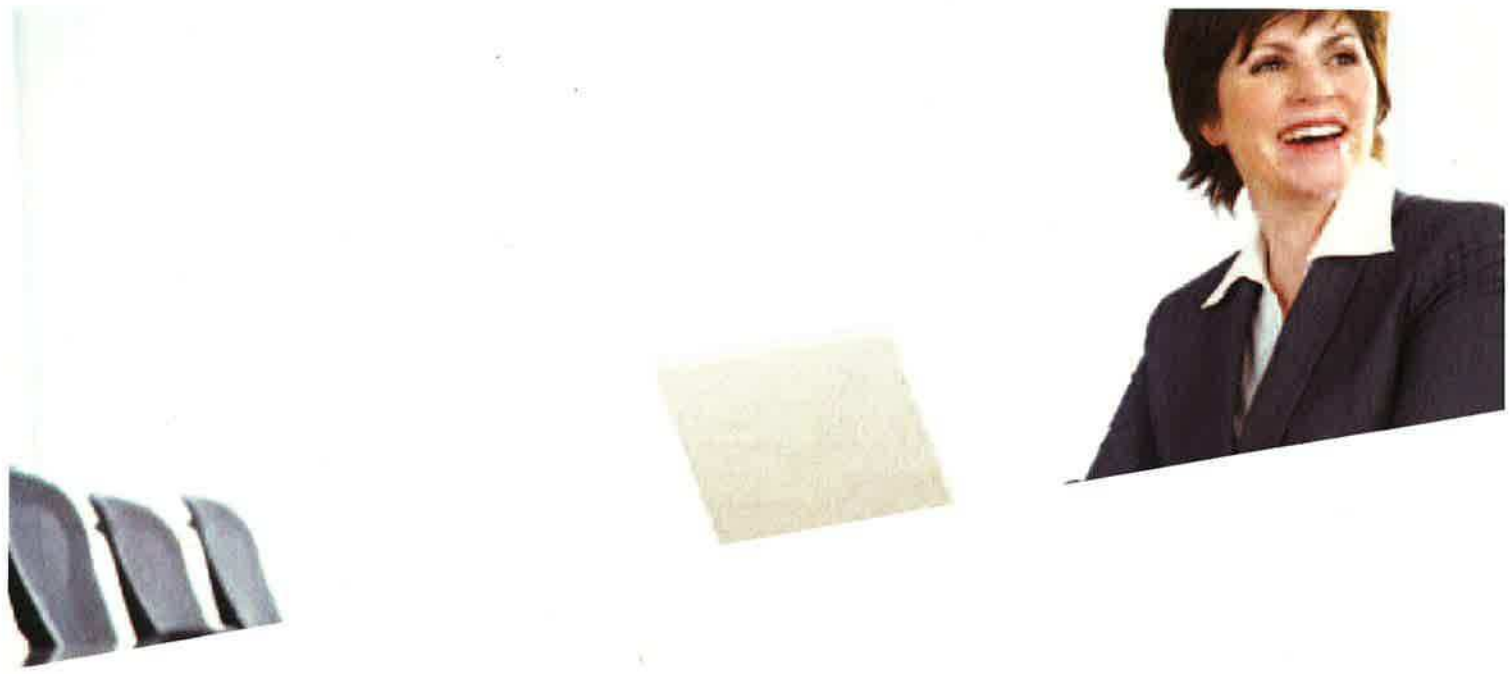
The criteria to evaluate competing applications from local authorities could include:

- ▶ Amount of expenditure and proposed use of that revenue
- ▶ The reduction of ongoing/long-term costs
- ▶ How you plan to transform your services
- ▶ Working across the wider public sector
- ▶ Asset to be sold
- ▶ Possible forward use of an asset

The consultation also considered how any approved proposals would be implemented, highlighting two possible methods:

- ▶ A Direction from the Secretary of State, allowing specified revenue expenditure to be treated as capital expenditure
- ▶ Through the existing provisions in The Local Authorities (Capital Finance and Accounting) Regulations 2003 (SI: 2003/3146).

The preferred option set out in the consultation documented is through a letter of Direction from the Secretary of State, as this would more closely fit with the competitive bid process.



Sector and economic news

The consultation closed on 24 September, and it is expected that there will be a response to the consultation in Autumn setting out the finalised proposals. The indicative timeline set out in the consultation document is set out below.

Event	Timing
Bid process commences	Winter 2013
Bid process decisions	Spring 2014
Direction letter issued	Spring 2014
Disposal of Asset	August 2013-March 2016
Revenue Expenditure	April 2015-March 2016

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Autumn Forecast in October 2013. It recognises that the UK economy is improving with GDP now projected to grow by 1.4% this year and 2.4% next year after a 0.1% rise in 2012. It notes that this is supported by the encouraging outlook for exports and business investment. It warns, however, that unforeseen events could disrupt this positive outlook, not least new external shocks such as the US budget deadlock. It believes that the view that the UK government's initiatives to support the housing market will result in a housing bubble is strongly overplayed. It states that the current rises in prices and transactions are from a historically very low base, and remain way below pre-crisis levels. With the housing recovery knocking on into wider consumer spending, and virtually all surveys of business confidence trending upwards, the economic outlook for the UK is continuing to brighten – despite the inevitable risks.



Accounting, auditing and governance

Audit Commission briefing on the Local Audit and Accountability Bill

On 4 September 2013 the Audit Commission released a briefing paper on the Local Audit and Accountability Bill, which is currently passing through Parliament.

The briefing provides an up-to-date view of where the Commission believes that amendments and refinements could further improve and strengthen the Bill.

Eight areas are identified in the briefing, where the Commission believes improvements to the bill could be made:

1. Including an option for optional collective procurement arrangements.
2. Strengthening the arrangements for the appointment of auditors, by having external members on audit committees rather than separate audit panels.
3. Expanding the data collected as part of the National Fraud Initiative.
4. Allowing more time to develop a proportionate audit regime for small bodies, by allowing current arrangements to be extended to 2020.
5. Ensuring that there continues to be central returns and publications to support accountability to Parliament and the public.
6. Including reporting on arrangements to secure value for money.
7. Updating the legislative framework governing local public audit.
8. Considering the transitional issues to the new regime, given that contracts under the current framework end in 2016/17 (with potential extensions to 2020), but the Commission, who manage the contracts, is due to be fully abolished in 2015.

Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) became effective from March 2008. These regulations replaced the formula-based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new requirement was for an authority to:

'Determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'.

No definition of 'prudent' was given, although DCLG issued statutory guidance in 2008, which authorities had to take account of, setting out their interpretation. This was updated in 2012 to take account of HRA self-financing and the implications of IFRS regarding PFI schemes. For authorities with a positive Capital Financing Requirement (CFR) the guidance set four options, but indicated that any alternatives that met the basic criteria included within the statutory guidance was acceptable. The four options are briefly described below:

1. Regulatory Method (for expenditure incurred before 1st April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is charged at 4% of the Authority's capital financing requirement (or underlying need to borrow for a capital purpose) which has been reduced by Adjustment A (calculated in 2004 under previous regulations).
2. CFR Method (for expenditure incurred before 1 April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is simply charged at 4% of the Authority's capital financing requirement at the end of the preceding financial year (with no technical adjustment).



Accounting, auditing and governance

3. Asset Life Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is made over the estimated life of the asset for which the borrowing (or other long-term financing) has been undertaken. This will be based either on the 'equal instalment method' or the 'annuity method'.
4. Depreciation Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is calculated in accordance with the standard rules for calculating depreciation provision.

The use of a broad framework rather than the formulaic approach has resulted in incorrect interpretation and calculation of MRP at a number of authorities in the past. Our audit work during the last year identified examples where authorities were not following their own accounting MRP policy or were, in a number of cases, overstating the amount of MRP that they set aside. Detailed work at selected sites identified that these non-compliance and calculation errors had accumulated overstatements of MRP of more than £10mn which could be reversed. Similar in-depth reviews can be incorporated within the 2013/14 audit programmes.



Regulation news

Pensions Regulator to have oversight of public sector pensions

The 2013 Public Service Pensions Act which received royal assent in April afforded the Pensions Regulator an enhanced role – broadening its remit to include oversight of public sector pensions from April 2015. It will set standards of governance and administration for public sector schemes in response to the Independent Public Service Pensions Commission's 2011 recommendations make improvements to both of these areas.

The schemes include approximately 22,000 employers and 12.6mn members (2012 figures taken from the Pensions Regulator website), and span Local Government, NHS, Police, Fire, Teachers, Civil Service, Armed Forces and Judicial pension schemes.

The Pensions Regulator has published a report, together with the supporting research, which documents current practice in these eight categories of public sector pension schemes.

The Pensions Regulator has promised to 'take action if necessary' to ensure public sector pension schemes are run to high standards following government reforms that will see it assuming oversight of the public sector.

Following the passage of the 2013 Public Service Pensions Act the regulator will set standards of governance and administration for public sector schemes from April 2015 including Police and Fire.

On September 6, the Pensions Regulator produced a report summarising current practice in eight categories of civil service pension schemes.

The survey of current schemes found room for improvement but also highlighted areas of good practice.

Local Government Pension Scheme findings:

- ▶ The survey noted that governance and administration had been on the agenda for these schemes for several years, and that this was evident in the survey findings, which demonstrated greater awareness of these matters.
- ▶ Ninety eight percent had a governance board in place. The majority of schemes also had a risk register in place, with risks and internal controls being reviewed at least annually; a conflict of interests policy and a register of members' interests.
- ▶ Eighty one percent of LGPS arrangements are administered in-house and the majority have service standards which are documented and reported against.
- ▶ LGPS schemes when compared the others in the survey had the most active member communication.

The Regulator is now working on producing code of practice as well as the regulatory strategy, and has plans to monitor and report on the progress of public sector schemes each year.



Local Government Pension Scheme Structural Reform

In addition to the review of investment regulations noted in the previous sector update, a wide ranging consultation was announced by Brandon Lewis MP (Minister for Local Government) in a speech at the National Association of Pension Funds local authority conference in May 2013. The consultation was launched by DLG and the LGA in June 2013 and aimed to identify reforms that will both improve investment performance and reduce fund management costs, in advance of the implementation of the new scheme in April 2014.

The consultation closed at the end of September, and the analysis of submissions is expected to inform a further consultation on options for change, which is to be released in early 2014.

At the same time, further detail has been provided about the proposed governance arrangements for the new LGPS in the DCLG discussion paper 'Local Government Pension Scheme (England and Wales) New Governance arrangements, also issued in June 2013.

The paper set out the proposed response to five specific sections of the Public Service Pensions Act 2013 which impact on the governance arrangements of the new scheme:

1. Responsible authority
2. Scheme manager
3. Pension board
4. Pension board information
5. Scheme Advisory board

The intention is for new regulations to be in place before April 2014, which will require new scheme advisory boards and local pension boards to become operational later in the year. In the intervening period between the commencement of the new LGPS scheme and the governing bodies becoming operational, existing governance arrangements under Section 101 of the Local Government Act 1972 will continue to apply.

This consultation closed at the end of August.



Find out more

To find out more on the articles above, please follow the links below:

Proposals for the use of capital receipts from asset sales to invest in reforming services

Full details can be found at:
<https://www.gov.uk/government/consultations/proposals-for-the-use-of-capital-receipts-from-asset-sales-to-invest-in-reforming-services>.

Economic outlook

For the full analysis go to:
<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Audit Commission briefing on the Local Audit and Accountability Bill

The full briefing can be found at:
<http://www.audit-commission.gov.uk/2013/09/public-briefing-on-the-local-audit-and-accountability-bill/>

Minimum Revenue Provision

For more information, please see the DCLG guidance at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11297/2089512.pdf

For more details on calculating MRP, please refer to Chapter 6 of the Practitioners' Guide to Capital Finance in Local Government (CIPFA 2008).

For details on incorporating a more in-depth review of MRP into your 2013/14 audit programmes, contact your audit team.

Pensions Regulator to have oversight of public sector pensions

For more information see the Pensions Regulator website at:
<http://www.thepensionsregulator.gov.uk/index.aspx>
and the civil service pension schemes report at:
<http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary.pdf>

Local Government Pension Scheme Structural Reform:

For further detail on the consultation, and to view all available consultations and consultation outcomes within the Local Pension series please visit:

<https://www.gov.uk/government/organisations/departments-for-communities-and-local-government/series/local-government-pensions>

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Oxford City Council

Internal Audit Progress Monitoring Report

November 2013

29

November 2013

pwc

Agenda Item 6

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Distribution list: Audit and Governance Committee, Executive Team

Background and scope: The purpose of this report is to provide a progress update on the agreed 2013/14 plan, including details of the reports we have completed to date.

Plan outturn

2013/14 Audit Plan

We have undertaken work in accordance with the 2013/14 Internal Audit Plan that was approved by the Audit and Governance Committee at its meeting in June 2013.

A statement tracking assignments undertaken and planned activity for the first three quarters of the year is shown in Appendix One.






We have continued to review our Audit Plan on an ongoing basis to ensure that it meets Oxford City Council's (the Council) risks. We have made no further revisions to our audit plan since those communicated to the Audit and Governance Committee at its meeting in September 2013. We have undertaken an additional review of the Council's English Heritage Grant outside the plan. Our findings from that review are included in this report. All prior year reports have now been finalised.

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At the time of drafting this report we have delivered 92 days, or 39%, of our 230 day plan. This is against a detailed profiled budget of 47% for year to date. We remain confident we will deliver the plan in full and are on track to do so.

Reporting Activity and Progress

Final reports issued since the previous Committee meeting

Ref	Name of audit	Conclusion	Date final report issued	No of recommendations made			
				 Critical	 High	 Medium	 Low
1	English Heritage Grant 2011/12	N/a: Agreed upon procedures for grant claim certification requirements	October 2013	N/A	N/A	N/A	N/A
2	Business Continuity Management	High risk 	October 2013	-	2	2	-

On the following page we summarise the findings from these reviews.

English Heritage Grant 2011/12

Management requested we undertake an examination of the Council's English Heritage grant claim for the year ended 31 March 2012. The objective was to satisfy the grant provider that expenditure incurred was fully and solely expended on the purposes for which it was granted as set out in English Heritage's grant funding letter. Consequently, no overall classification has been provided.

We examined the claim form in accordance with the terms of the English Heritage grant offer letter in line with the limited scope procedures agreed in our engagement letter. We have found a small number of compliance exceptions that we reported. These included:

- Delays were experienced providing English Heritage with the *mid-year report and the audited account and annual report*.
- No specific controls and producers had been introduced for the recording of English Heritage expenditure.
- The Council has under claimed for associated staff costs by £11,943.16.

Business Continuity Management

We have classified our findings in this area as **High Risk**.

Performance has improved slightly since we last carried out the review in 2009/10 with fewer high risk issues identified. The review identified four key findings:

- Business Continuity Plans are out of date and contain details that are no longer valid.
- Dependencies and assumptions within plans are not comprehensive including reliance on third party support for critical activities.
- Some plans are missing key content or have content that is considered unnecessary.
- There is inconsistent use of templates for the Service Area plans.

As a result of these issues our assurance rating is high risk and management have accepted the findings and agreed actions to remedy them as soon as practicable to improve the control environment. The report has been included in full as part of these papers.

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Fieldwork and draft reports

Fieldwork will be underway or complete for the following reviews as at the date of the November Audit and Governance Committee. In some cases the draft report will have been issued but the final report will not be available until the next Audit and Governance Committee meeting. We are due to issue a number of final reports before Christmas and will liaise with Senior Officers to agree how any significant findings emerging from these reports will be shared with you prior to the February 2014 Audit and Governance meeting.

- Cash and Card Payments;
- Corporate Assets – Asset Management Strategy;
- Direct Services Income Generation through DSOs;
- Fraud Risk Assessment;
- Business Improvement and Technology System Implementation;
- Finance – Town Hall Income;
- Fixed Assets and General Ledger;
- Collection Fund;
- Housing Benefits;
- Community Development – Community Centres and Associations; and
- Human Resources and Facilities – Payroll including Tax, NI and Compliance.

Appendix 1 - Internal audit detailed progress tracker – Q1, Q2 and Q3 Reviews

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<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed clearance meeting dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Debtors and Creditors	14	Held	TBC	-	-	-	-	February 2014
A2	Collection Fund	10	Held	Held	w/c 11 November 2013	w/c 25 November 2013	w/c 2 December 2013	w/c 9 December 2013	February 2014
A3	Housing Benefits	7	Held	w/c 18 November 2013	w/c 25 November 2013	w/c 9 December 2013	w/c 16 December 2013	w/c 23 December 2013	February 2014
A4	Fixed Assets and General Ledger	12	Held	Held	w/c 11 November 2013	w/c 25 November 2013	w/c 2 December 2013	w/c 9 December 2013	February 2014
A5	Budgetary Control, Risk Management and Performance	15	TBC	-	-	-	-	-	TBC
A7	I.T. General Controls	7	Held	TBC	-	-	-	-	February 2014
A8	Fraud Risk Assessment	6	Held	Held	Held	w/c 18 November 2013	w/c 25 November 2013	w/c 2 December 2013	February 2014

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed clearance meeting dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A9	Cash and Card Payments (VE)	10	Held	Held	Held	w/c 11 November 2013	w/c 18 November 2013	w/c 25 November 2013	February 2014
B3	Community Development – Community Centres and Associations	10	Held	w/c 18 November 2013	w/c 2 December 2013	w/c 16 December 2013	w/c 23 December 2013	w/c 30 December 2013	February 2014
B5	Finance Town Hall Income	7	Held	Held	Held	Issued	w/c 18 November 2013	w/c 25 November 2013	February 2014
B6	Business Improvement and Technology – System Implementation	6	Held	Held	w/c 11 November 2013	w/c 18 November 2013	w/c 25 November 2013	w/c 2 December 2013	February 2014
VE1	Environmental Development – Carbon Budgeting	10	Held	TBC	-	-	-	-	February 2014
VE2	Human Resources and Facilities – Payroll including Tax, NI and compliance	16	Held	w/c 11 November 2013	w/c 25 November 2013	w/c 9 December 2013	w/c 16 December 2013	w/c 23 December 2013	February 2014
VE3	Direct Services – Income Generation through DSOs	10	Held	Held	Held	w/c 11 November 2013	w/c 18 November 2013	w/c 25 November 2013	February 2014

Ref	Auditable unit	Indicative number of days*	Scoping meeting date	Proposed fieldwork dates	Proposed clearance meeting dates	Proposed draft report date	Proposed management response date	Proposed final report date	Audit Committee reporting date
RF2	Corporate Asset – Asset Management Strategy	5	Held	Held	Held	Issued	w/c 11 November 2013	w/c 18 November 2013	February 2014

* Consistent with the delivery of previous plans, where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

Appendix 2 – Thought leadership publications

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

Housing Revenue Account (HRA) reform: one year on

Reform of the HRA framework transferred around £28bn of housing debt to stock-owning local authorities with limits imposed on the amount councils could borrow against their housing assets.

The new system is forecast over the next 30 years to give councils control over £300bn of rental income and surplus rental streams that can support significant levels of new build. Under current debt caps stock-retaining councils could, collectively, borrow around £3bn to build 15,000 new homes over the next 5 years (or as many as 60,000 without the cap). The reforms are also intended to increase local transparency and accountability; improve management, maintenance and repairs; and encourage partnership working with housing providers.

This Talking Points publication explores the impact of the reforms, based on a survey and roundtables with housing professionals and experts from local authorities and housing associations, as well as senior policy makers and government officials.

<http://www.pwc.co.uk/government-public-sector/local-government/publications/housing-revenue-account-hra-reform-one-year-on.jhtml>

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To: Audit & Governance Committee

Date: 28th Nov 2013

Item No:

Report of: Head of Finance

Title of Report: Progress on Implementation of Audit Recommendations

Summary and Recommendations

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

Policy Framework:

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the recommendations 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 or amber if they are within one month of their completion date.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

External Audit Recommendation

4. There are no red recommendations on the external audit tracker and therefore no outstanding recommendations which would give cause for concern
5. There is one remaining external audit recommendation:
 - The Council should obtain a record of the laptop allocations and confirm their location: All service areas have been upgraded to Windows 7, alongside which an up-to-date list of asset numbers and their owners and locations has been consolidated. Only 5% of the organisation remains to be upgraded to Windows 7.
6. There are no external audit recommendations that have exceeded their completion date, and there were no additional recommendations made following the audit of the annual statement of accounts.

Internal Audit recommendations

7. There has been one new internal audit report finalised since the last meeting, relating to Business Continuity Management, the recommendations raised have been added to the tracker. They include ensuring all Business Continuity Plans are updated and reviewed on a regular basis and follow a standard template to ensure they meet the requirements outlined in the Corporate Business Continuity Plan. It is also recommended that a Business Impact Analysis is carried out to ensure all critical activities are captured in the Business Continuity Plans.
8. There are 4 recommendations on the internal audit recommendation tracker that are not 100% complete as follows:
 - a. Reviewing HR policies - work has started on this and following consultation and approval these will now be complete by end of January 2014.
 - b. The recommendation relating to user access rights to network shared drives is being reviewed as part of the Windows 7 roll out. 95% of this project is now complete.
 - c. Health & Safety - updating of information within Uniform - A process has been put in place to improve the updating and accuracy of information. This is currently showing as 50% complete as further work is needed to finalise it.
9. The recommendation relating to Housing Benefit quality checks is a follow up from prior year. 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. The process has recently been improved and the level of work now being checked is 10% of 4 FTE'S work. Since the start of October 2013 there have only been three days on

which the 10% target was not met, but this was due to exceptional circumstances such as the Windows 7 upgrade for the team.

10. There are three internal audit recommendations that are being reported as 100% complete and will be removed from the next report.

11. As previously reported 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	13/14		12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	50%	1	10%	1	7%	2	15%
Medium		0%	3	30%	9	60%	8	62%
Low	1	50%	6	60%	5	33%	3	23%
	2		10		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 processed 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.

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Background papers: None

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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		95	As part of the Windows 7 project, all laptops have been reallocated with an up-to-date list of asset numbers and their locations/owners prepared. The last areas are being updated during December once the PARIS upgrade has been completed
IA404	Business Continuity Management	1/8/13	BCP's are out of date and not reviewed on a regular basis	High	Implement a compliance process to ensure that BCP's are reviewed at least annually and that version control is enforced for each plan	Jeremy Thomas	Jeremy Thomas	30/11/2013		0	recommendation agreed
IA405	Business Continuity Management	1/8/13	Failure to identify all dependencies of service area critical activities could result in unforeseen delays and ineffective co-ordination of recovery activities	High	Conduct a Business Impact Analysis workshop to identify all critical activities, and review all third party services and supply dependencies for service BCPs to ensure captured, and ensure detailed in the BCPs	Jeremy Thomas	Jeremy Thomas	31/12/2013		0	recommendation agreed
IA406	Business Continuity Management	1/8/13	A lack of information contained within BCPs which is necessary for recovery could result in unforeseen delays and ineffective co-ordination of recovery activities	Medium	Undertake a review of the Service Area BCPs to ensure that they meet the requirements outlined in the Corporate BCP	Jeremy Thomas	Jeremy Thomas	31/12/2013		0	recommendation agreed
IA407	Business Continuity Management	1/8/13	Inconsistent plans could result in key information required for successful service recovery being omitted	Medium	Ensure that all service BCPs use the same template in line with changes required in previous actions	Jeremy Thomas	Jeremy Thomas	31/03/2014		0	recommendation agreed
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	31/1/2014	10	A first draft was expected by 30/9/13 nfor consultation with trade unions thereafter. Delay in producing paper due to other priorities but first draft expected early November.
IA172	ICT	27-Apr-2010	#####	Medium	#####	Fiona Colcutt	Jane Lubbock	30-Apr-2010		95	#####
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		100	This recommendation is not agreed - redundancy pay is covered in the discretionary payments policy (a separate document from org change) because it includes items which are unrelated to org change. We will ensure read across between the 2 documents
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	This is completed. Quality checks being carried out daily, the target of 10% has been met almost every day, with a couple of exceptional circumstances eg Windows 7 upgrade
IA401	Health and Safety:Housing Stock and Corporate Assets	1/8/13	The data on Uniform system is not upto date	Low	The electrical inspections data is uploaded to ensure the Uniform system is upto date and a key performance indicator is introduced that all repairs data is communicated to the Corporate Property Team within 14 days	Steve Stansfield	Steve Stansfield	31/12/2013		50	Recommendation agreed and Direct Services approach will be reviewed and amended
IA402	Health and Safety:Housing Stock and Corporate Assets	1/8/13	The reports currently being run for monitoring purposes are not as effective as they could be due to the electrical data on Uniform not being up to date	Low	The electrical inspections data is uploaded to ensure the U@niform system is up todate	Steve Stansfield	Steve Stansfield	31/12/2013		50	Recommendation agreed and Direct Services approach will be reviewed and amended
IA403	Health and Safety:Housing Stock and Corporate Assets	1/8/13	Uniform is updated manually for legislation changes with no automated way of changing the next inspection dates within Uniform	Low	The Council should explore whether the Uniform system can accommodate possible blanket changes to all report due dates for a certain inspection in order to comply with any new legislation or internal policy changes	Steve Stansfield	Steve Stansfield	30/09/2013		100	Recommendation agreed and fully implemented

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To: Audit & Governance Committee

Date: 28th November 2013 **Item No:**

Report of: Head of Finance

Title of Report: Risk Management Quarterly Reporting: Quarter 2 2013/2014

Summary and Recommendations

Purpose of report: To update members on both corporate and service risks as at the end of Quarter 2, 30th September 2013.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Improving value for money and service performance

Recommendation(s):

The Committee are asked to note the contents of this report

Appendix A Corporate Risk Register

Risk Management Strategy

1) The Risk Management Strategy was approved at the City Executive Board on 23rd April 2012 with the stated aims of:

- fully embedding Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
- providing a clear and consistent approach to the management of risk across the organisation and through organisational boundaries.

2) A copy of the Strategy can be found on the intranet:

<http://occweb/intranet/riskmanagementstrategy.cfm>

The current scoring matrix is as follows:

Probability		Impact				
		1	2	3	4	5
>90%	Almost Certain	5	10	15	20	25
50-90%	Likely	4	8	12	16	20
30-50%	Possible	3	6	9	12	15
10-30%	Unlikely	2	4	6	8	10
<10%	Rare	1	2	3	4	5

Impact Insignificant Minor Moderate Major Catastrophic

Risks are evaluated to consider the probability of the risk transpiring and the impact if the risk were to transpire.

Impact – What will happen if the risk occurs?

Probability – How likely is it that this risk will occur

Risk Identification

- 3) **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners for corporate risks are generally held at Director level.
- 4) **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager will have oversight of all risks and on a quarterly basis will review service risks to determine the need for inclusion in the Corporate Risk Register.
- 5) **Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on the Project/Programme Risk Register (PRR).

Corporate Risk Register

- 6) The Corporate Management Team carried out a 'blank paper' review of Corporate risks for 2013/14 in May 2013. As a consequence a number of new risk were identified including regular review of Business Continuity Plans, Resilience of ICT, and managing capital projects which are reflected in the table below. There has a positive direction of travel on the risk profile since this exercise was carried out in Quarter 1 as shown below:

Current Risk	Q3 2012/13	Q4 2012/13	Q1 2013/14	Q2 2013/14
Red	1	1	4	3
Amber	3	3	7	8
Green	1	1	0	0
Total risks	5	5	11	11

- 7) The current Corporate Risk Register (Appendix A) shows three red risk, they are:
- Resilience of ICT function – managing projects and improvements alongside business as usual leading to capacity issues and the inability to provide good quality and consistent service;
 - Welfare Reforms – Changes to legislation regarding welfare reforms will impact directly and indirectly on the Council, leading to increased homelessness, increased costs for the Council, and increased arrears on debts being collected;
 - Managing Capital Projects and Contract Management – ensuring sufficient management of capital projects and contracts is carried out to prevent costs overruns, slippage on projects and the non-delivery of projects;
- 8) One risk showing as red in quarter one has been reduced to an Amber risk in quarter two, this relates to Adverse Weather and the increased risk of flooding and other adverse weather conditions in a changing climate leading to an adverse impact on service delivery and the financial impact this has on the Council. We have responded well to all situations relating to adverse weather and the impact has reduced in each of these situations.

Quarter 2 Service Risk Register

- 9) Each year as part of the service planning process, all current service risks are reviewed, those no longer relevant are deleted, and any new ones are added. These refreshed service risk registers are then loaded into CorVu for monitoring purposes during the year.

- 10) The table below shows the number of current risks for Q3 and Q4 2012/13 compared with Q1 and Q2 13/14.

Current Risk	Q3 2012/13	Q4 2012/13	Q1 2013/14	Q2 2013/14
Red	6	4	9	0
Amber	38	34	54	56
Green	42	36	30	31
Total risks	86	74	93	87
Closed	3	12	0	6

- 11) There are no red risks in Q2, this has decreased from 9 red risks in Q1, this is a positive direction of travel for service risks, and has been achieved by working on each of the mitigating actions attached to each risk.

- 12) The nine risks reported as red in quarter 1 that have improved, and are now showing as either Amber or Green risks are:

- Business Improvement and Technology – Business Continuity, the risk of application failure due to lack of skills, knowledge and adequate testing has been mitigated by carrying out regular testing of applications and completing a skills gap analysis along with carrying out cross training within existing staff. These actions have changed this to a Green risk;
- Environmental Development – Service Delivery, failure to recruit to vacancies within the service. This has changed to an amber risk by ensuring vacant posts are filled by the use of temporary staff;
- Housing and Property – HRA Business Plan Delivery Failure, this has reduced to an amber risk. The HRA Business Plan is regularly reviewed and monitored to ensure it is financially sound. The plan will be subject to a more formal review during the 2014/15 Budget Setting process and will be consulted on with tenants in December;
- Leisure Parks and Communities – Safeguarding vulnerable groups including children. This has changed to an amber risk as training has been rolled out across the organisation, and we received a good report following an external review of our procedures in this area;
- Policy, Culture and Communications – Failure to achieve sponsorship income targets due to a changing business climate making it difficult to sustain city events and cultural activities. A Sponsorship Officer has been appointed to develop a fundraising plan to mitigate this risk and additional income has been received making this now a green risk;
- Housing and Property – Blackbird Leys Swimming Pool, there is now a close control of the brief and budget to ensure that the project does not overrun or overspend. Regular monthly financial monitoring checks and reviews are being carried out, and a client

side project manager has now been successfully appointed changing this risk from Red to Amber;

- Housing and Property – Overspends on construction related projects as costs may increase in the current economic climate. Mitigation actions being carried out on this risk include setting up contracts with bonds and based on fixed prices, alongside robust contractor evaluation being carried out and tight monitoring of the finances of each project changing this risk from Red to Amber;
- Regeneration and Major Projects – Staff recruitment and retention, difficult to fill vacancies and obtain the required skills to deliver current work programmes. Temporary staff and contractors have been put in place to mitigate this risk changing this risk from Red to Amber;
- Regeneration and Major Projects – Westgate redevelopment, ongoing dialogue with the main contractors is continuing over the future design, which is now making this risk Amber.

Specific Risks – Recruitment

- 13) At the last meeting of Audit and Governance on 26th September 2013 a question was raised about the difficulty in recruiting as this was recognised as being a key theme running through the Corporate and Service risk registers.
- 14) The Council’s current annual turnover rate as at October 2013, arising from resignations, is 8.8%, which is considered to be healthy when compared with similar organisations to ourselves.
- 15) The table below shows those service areas with a turnover above this percentage:

Service	Turnover (resignations)	Notes
BIT	10% (3 leavers)	Small number of leavers but small service area so not statistically significant
Customer Services	13% (18 leavers)	High turnover of Customer Service Officers being addressed
Environmental Development	14.5% (12 leavers)	The turnover reflects the market position and impacts upon particular areas of the service; hence a review is being commissioned
Finance	10% (4 leavers)	Small number of leavers but small service area so not statistically significant
HR & FM	10% (5 leavers)	Small number of leavers but small service area so not statistically significant

Law & Governance	13.8% (4 leavers)	Small number of leavers but small service area so not statistically significant
PCC	24% (5 leavers)	Museum shop restructure and 2 people relocating to other parts of the country for family reasons. Small service.

- 16) The Council successfully recruits into around 150 posts per year. There are some key roles identified where it is more difficult to recruit into, but generally the Council are seeing increasing numbers of job applicants and encouragingly from a more diverse background.
- 17) Where posts are difficult to recruit to, the Council have taken the following actions:
- Converted temporary staff into permanent staff
 - Used specialist agencies to source staff through executive search
 - Used less obvious networks to identify potential candidates such as alumni
 - Applied a market supplement to make the salary more attractive
- 18) Five service areas have identified specific roles in which they are finding difficulties to recruit into specialist roles, they are:
- Major Projects & Regeneration – Major Projects and Regeneration Manager and Major Projects Development Surveyor. Both posts have been advertised widely on two occasions and were unable to attract suitable candidates based on the reward package.
 - Housing Services – Policy & Asset Manager, Housing & Assets Manager and Building Design and Facilities Manager. Difficulties are envisaged in recruiting to these vacancies due to a lack of availability of management/leadership competence at this level in the market.
 - Environmental Development – there are no specific posts that have recently been unsuccessful at recruiting into, however a large number of vacant posts are filled by agency staff.
 - Direct Services – the posts for supervisors/surveyors in craft trades are difficult to recruit into due to them being on a fixed salary that is lower than the pay that the craft pay rates that the trade workers under their supervision are able to achieve.
 - Communities and Neighbourhood – Locality Officers and Neighbourhood Partnerships Team Leader, these two posts have been recruited into, however there isn't a strong pool of community workers in the local area, as there are a large amount of jobs of this nature in London which are attracting the strong candidates.

- 19) Whilst there are some recruitment problems in some areas of the Council this does not have a significant overall effect on the Councils service delivery and therefore currently does not pose a significant risk. Where difficulties have arisen these jobs have been backfilled by suitable temporary staff pending employment of permanent staff at a later date.

Financial Implications

- 20) The Robust management of risk should assist in mitigating the financial impact to the Council should the event occur

Legal Implications

- 21) There are no legal implications directly relevant to this report

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List of background papers:

Version number:

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Formal Risk Summary

(Oxford)

As at: Sep-2013

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Ref	Title	Risk description	Risk	Opp/ threat	Cause	Consequence	Date Raised	Owner	Gross I P	Current I P	Residual I P	Comments	Controls						
													Control description	Due date	Status	Progress	Action Owner		
CRR-019	ICT Resilience	Resilience of ICT function - managing projects and improvements alongside business as usual	T	Numerous projects running concurrently across the Council all needing ICT support; limited resources and vacant posts within ICT	Inability to provide good quality and consistent service	1-Apr-2013	Jacqui Yates	4	4	4	3	3		Cross skilling of staff in ICT and BIT	30-Jun-2013	In Progress	20%	Jane Lubbock	
														Ensure key posts are filled in ICT	31-Dec-2013	In Progress	70%	Jane Lubbock	
														Projects are prioritised within available resources, and an ongoing project work plan is in place, as approved by CMT	31-Mar-2014	In Progress	100%	Jane Lubbock	
														Rationalise number of applications requiring support	30-Sep-2014	Not Started	0%	Jane Lubbock	
														Regular reporting on progress of key projects to Organisational Development Board, by way of highlight reports	31-Mar-2014	In Progress	100%	Jane Lubbock	
														Transfer helpdesk to County to increase capacity	30-Sep-2013	In Progress	95%	Jane Lubbock	
CRR-022	Welfare Reform	Changes to legislation regarding Welfare Reform will impact financially, directly and indirectly on the Council	T	Changes in Legislation	Increased homelessness; increase costs; increase arrears; increase DHP payments	1-Apr-2013	Jacqui Yates	4	4	4	3	4	3		Commission review of welfare reforms on Oxford residents	1-May-2014	In Progress	60%	Helen Bishop
															Engagement with third sector and other partners to ensure coordinated approach to service delivery	1-May-2014	In Progress	30%	Helen Bishop
															Ensure learning from pilots is communicated and acted upon across the organisation	1-May-2014	In Progress	75%	Helen Bishop
															Monthly reporting of rent arrears, DHP allocations	1-May-2014	Ongoing	100%	Helen Bishop
															Monthly review of impact on stakeholders, council tenants and council tax payers	31-Jul-2013	Completed	100%	Helen Bishop
															Review DHP policy	1-May-2013	Completed	100%	Helen Bishop
															Update financial impact on council in MTFs	31-Dec-2013	Completed	100%	Helen Bishop
CRR-023	Managing Capital Projects and Contract Management	The need to ensure efficient management of capital projects and contracts	T	Poor Governance on major projects	Cost overruns; non delivery of projects; slippage of projects, cost to the authority	1-Apr-2013	David Edwards	4	4	4	3	4	2		Ensure staff undertaking projects are appropriately trained	31-Dec-2013	Not Started	0%	Jane Lubbock
															Establish robust methodology for project management using PRINCE 2 principles through Capital Asset Management Group	31-Dec-2013	In Progress	30%	Jane Lubbock
															Review procedures for approving and monitoring projects	31-Mar-2014	Not Started	0%	Nigel Kennedy
CRR-020	Robustness of Medium Term Financial Plan	Medium Term Financial Plan savings not delivered and pressures not accurately recorded	T	Ongoing Central Government cuts and current savings not being met	Inability to produce a balanced budget, or further saving needing to be made in the future	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2		Annual review of the Medium Term Financial plan to confirm savings are deliverable and pressures recorded	31-Dec-2013	In Progress	50%	Nigel Kennedy
															Ensure action plans in place for delivery of savings	30-Sep-2013	In Progress	75%	Nigel Kennedy
															Ensure key stakeholders are kept upto date on progress of plan and monitoring	31-Dec-2013	In Progress	100%	Nigel Kennedy
															Produce accurate, timely monitoring reports	31-Dec-2013	In Progress	80%	Nigel Kennedy
															Emergency Planning Team set up	1-May-2013	In Progress	100%	Jeremy Thomas
CRR-021	Adverse Weather	The impact of adverse weather on service delivery and adverse financial impact on Council	T	Increase risk of flooding and other adverse weather conditions	Affecting service delivery, increased cost, resource shortfall	1-Apr-2013	Tim Sadler	4	3	4	2	4	2		Ensure early warning processes are in place to advise of early warning systems	30-Sep-2013	In Progress	90%	John Copley
															Set aside budget	1-May-2013	Completed	100%	Nigel Kennedy
															Business Continuity Plans are up to date and reviewed for consistency/compatibility	31-Dec-2013	In Progress	50%	Jeremy Thomas
															Ensure Emergency Planning procedures and Business Continuity plans are tested annually	31-Mar-2014	Not Started	0%	Jeremy Thomas
CRR-024	Emergency Planning and Business Continuity	Failure to ensure Emergency Planning and Business Continuity procedures are in place, tested and robust	T	Inadequate plans, not tested, not kept up to date. System failures, failure of partners to deliver services	Civil unrest; impact on service delivery	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2		Regularly review Emergency plan contacts list to ensure up to date	31-Dec-2013	In Progress	50%	Jeremy Thomas
															Ensure bi-annual workplace assessments are up to date	31-Mar-2014	In Progress	50%	Simon Howick
															Ensure H&S training undertaken by new staff and regular refreshers delivered either on line or toolbox talks so fire/first aid arrangements	30-Sep-2013	In Progress	50%	Simon Howick
CRR-025	Health & Safety of People	Health & Safety of People	T	Not maintaining a robust Health & Safety policy, and ensuring it is carried out in all service areas.	Increase cost; potential financial penalties; potential insurance claims	1-Apr-2013	Jacqui Yates	4	3	3	3	3	3		Ensure Health and Safety Policy is reviewed and kept up to date	1-Apr-2013	Completed	100%	Simon Howick
															Ensure H&S policy is reviewed and kept upto date relating to staff and building	31-Mar-2014	Not Started	0%	Simon Howick
CRR-026	Health & Safety of Property	Health & Safety of Property	T	Not maintaining a robust Health & Safety policy, and ensuring it is carried out in all service areas.	Increase cost; potential financial penalties; public safety in public buildings; potential insurance claims	1-Apr-2013	David Edwards	4	3	3	3	3	3		Ensure statutory H&S risk areas around fire risk assessment, asbestos, water are regularly reviewed and reported to CAMG	31-Mar-2014	In Progress	50%	Stephen Clarke
															Training of staff to be carried out using learn and other forms such as MPG session	31-Mar-2014	Not Started	0%	Simon Howick

CRR-027	Fraud	Risk of fraud against the council	T	Internal fraud by staff, cyber attacks on councils ICT systems, fraudulent claims for council tax and hoUsing benefits and council tax discounts, fraudulent claims for payment	Reputation; Cost	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2	Annual review of procedures for combating fraud by internal audit	31-Mar-2014	Not Started	0%	Nigel Kennedy
														Ensure internal policies around preventing bribery fraud and corruption, whistle blowing and money laundering are annually reviewed and communicated to staff	31-Mar-2014	Completed	100%	Nigel Kennedy
														Raise awareness with staff of fraud issues	31-Dec-2013	In Progress	50%	Nigel Kennedy
														Regular reporting to Audit and Governance Committee	1-May-2014	Completed	100%	Nigel Kennedy
														Training of staff to be carried out using learn and other forms such as MPG session	31-Dec-2013	In Progress	50%	Nigel Kennedy
CRR-028	Data Protection	Risk of breaching the Data Protection Act	T	Staff not being aware of the policy; being careless with data	Reputation; financial penalties	1-Apr-2013	Jacqui Yates	4	3	3	3	2	Obtain and retain Public Service Network compliance	30-Oct-2013	In Progress	80%	Jane Lubbock	
													Raise awareness and training of staff by the use of ilearn.	31-Dec-2013	In Progress	50%	Jane Lubbock	
													Raise awareness and training of staff, carrying out a session at MPG	30-Jun-2013	Completed	100%	Jane Lubbock	
													Review data protection policy	30-Jun-2013	Completed	100%	Jane Lubbock	
CRR-029	Managerial Capacity	Managers become overstretched lose sight and focus on service delivery and performance suffers	T	Too many competing priorities, lack of capacity to deliver	Services are not delivered or not delivered effectively. Additional costs are incurred by the council. Customers unrest with service delivery, higher complaints	1-Apr-2013	Peter Sloman	4	3	4	2	3	3	Ensure appropriate arrangements in place for prioritising work and allocating appropriate resources, and de-prioritising other work	31-Mar-2014	In Progress	80%	Simon Howick
														Ensure managers are adequately trained for the tasks in hand	31-Mar-2014	In Progress	80%	Simon Howick
														Ensure sufficient financial and staffing resources for the tasks being undertaken	31-Mar-2014	In Progress	80%	Simon Howick

Current Risk Score
the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ing made to manage the risk and reduce the Council's exposure.

Residual Risk Score
place. The residual risk score shows how effective your action plans are at managing the risk.

AUDIT AND GOVERNANCE COMMITTEE

Thursday 26 September 2013

COUNCILLORS PRESENT: Councillors Fry (Chair), Brett, Darke, Rowley, Rundle and Seamons.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Alan Witty (Ernst & Young), Maria Grindley (Ernst & Young), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Natalie Shaw

14. APOLOGIES FOR ABSENCE

None received.

15. DECLARATIONS OF INTEREST

None declared.

16. EXTERNAL AUDIT - AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2013 - 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 results of audits for the year ended 31st March 2013.

Maria Grindley from Ernst and Young introduced the report. She commented that it had been a very good audit year with strong supporting papers and good responses from officers. She was very satisfied with how the year had progressed and added that all that was awaited was the signed Statement of Accounts from the Council, which would be dealt with later on the agenda.

The Committee agreed:

- (a) To note the report;
- (b) To welcome the comments from Maria Grindley;
- (c) To congratulate Officers for their work in achieving a successful audit year.

17. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2013

The Head of Finance submitted a report (previously circulated, now appended) the purpose of which was to seek approval and authorisation of the Council's Statement of Accounts.

Nigel Kennedy, Head of Finance introduced the report and said that this had been the fourth year that the accounts had been unqualified which was very pleasing. He added that there had been some minor adjustments concerning for example the audit fee and these amendments had been reflected in the accounts. He further added that these amendments did not alter the overall bottom line.

The Committee agreed:

- (a) To approve the audited 2012/13 Statement of Accounts and to authorise the Head of Finance and the Chair of the Audit and Governance Committee to sign the Statement of Accounts, which they duly did;
- (b) To approve the Letter of Representation (appended to these minutes) to enable the Opinion to be issued and to authorise the Chair of the Audit and Governance Committee to sign the Letter of Representation, which he duly did and passed to the representatives from Ernst and Young, the Council's External Auditors.

18. EXTERNAL AUDIT - LG SECTOR UPDATE - GOVERNMENT AND ECONOMIC NEWS - 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 Local Government Sector update on Government and Economic News.

Alan Witty from Ernst and Young introduced the report.

Councillor David Rundle asked regarding the Local Audit of Accountability Bill, if a group of local authorities could appoint an auditor. In response Maria Grindley understood that this was possible as it could prove costly for individual authorities to appoint auditors.

Councillor David Rundle regarding the economic outlook asked if this had been factored into the Councils Medium Term Financial Strategy (MTFS). In response Nigel Kennedy said that this was already being considered and the next MTFS would reflect this.

The Committee agreed to note the report.

19. INTERNAL AUDIT PROGRESS REPORT 2013/14 - 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 progress made in delivering the work set out in the 2013/14 Audit Plan.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report. He informed the Committee that the scope of the IT General Controls work had been reduced which was a change to the original Audit Plan 2013/14. However the overall Plan days remained the same.

Regarding the Member Development audit, Christopher Dickens said that an electronic survey had been used with a 30% response rate. From the results, Scrutiny and Challenge was an area where Members particularly felt that more support was needed.

Councillor Tony Brett regarding IT Disaster Recovery noted that there were no timescales in the plan and asked for clarification on this for example how long Service Heads felt it would take to be back to business as usual. In response Christopher Dickens said that in the full report timescales had been included and that he would circulate the original report to Members of the Committee.

Councillor David Rundle asked if the reconciliation issue on car parks was an issue that affected all car parks in the City. In response Nigel Kennedy said that all actions required to resolve the issue, had been taken. Councillor Rundle further added that in Headington, data was collected daily from one car park and not from another. In response Nigel Kennedy agreed to investigate and respond back to all Members of the Committee.

The Committee agreed to note the report.

20. 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 and informed the Committee that no new external audit recommendations had been added.

The Committee agreed to note the report.

21. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1 2013/2014

The Head of Finance submitted a report (previously circulated, now appended) which updated Members on both corporate and service risks as at the end of quarter 1, 30th June 2013.

Nigel Kennedy, Head of Finance introduced the report.

Councillor James Fry asked if further detail on the risks could be included in future reports.

Councillor David Rundle asked what work took place to create the Risk Register. In response Nigel Kennedy said that it was a requirement of the Heads of Service to review their risks on a regular basis. Directors would also review the risks for their Directorates as a whole. The Corporate Risk Register was maintained by the Directors. In response to further questions, Nigel Kennedy said that the Council employed a Risk and Assurance Officer, plus a Risk Management Group had been established which oversaw the risk process.

The Committee agreed to note the report.

22. MINUTES

The Committee agreed to approve the minutes of the meeting held on 27th June 2013.

23. DATES AND TIMES OF MEETINGS

The Committee agreed to note that it would meet in the Town Hall on the following dates at 6.00pm:

Thursday 28th November 2013

Thursday 27th February 2014

Thursday 24th April 2014

The meeting started at 6.00 pm and ended at 6.50 pm