

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Tuesday 15 September 2015

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COUNCILLORS PRESENT: Councillors Fry (Chair), Fooks (Vice-Chair), Darke, Munkonge, Paule and Thomas.

OFFICERS PRESENT: David Edwards (Executive Director City Regeneration and Housing), Nigel Kennedy (Head of Financial Services), Martin Shaw, Jeremy Thomas (Head of Law and Governance), Jennifer Thompson (Law and Governance), Scott Warner (Investigations Manager), Anna Winship (Financial Accounting Manager), Jackie Yates (Executive Director Organisational Development and Corporate Services), and

Kate Mulhearn (Pricewaterhousecoopers (PWC)), Mick West (Ernst & Young) and Alan Witty (Ernst & Young)

14. APOLOGIES FOR ABSENCE

There were no apologies.

15. DECLARATIONS OF INTEREST

None.

16. INVESTIGATION TEAM PERFORMANCE AND ACTIVITY BRIEFING

The Chair re-ordered the agenda to take this item first.

The Committee considered the report of the Head of Financial Services reporting the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 July 2015.

Scott Warner, the Investigations Manager, introduced the report. He outlined the results of the satisfaction survey; explained the method used in the report to calculate recovery and loss avoidance; and highlighted other key points in the report.

Among other points, the Committee noted:

- the challenges involved in setting up the fraud hub;
- the case management system was now running;
- the target for the number of properties returned to housing stock in 2015/16 was considered in line with previous performance and realistic

The Committee noted the report and recorded their praise for the work of the team.

17. AUDIT RESULTS REPORT 2014/15

The Committee considered the annual audit results report of the external auditors, Ernst and Young (circulated separately).

Mick West and Alan Witty, the external auditors, introduced the report and confirmed that there were no further matters to report and this was an unqualified audit and value for money assessment. There were no independence issues. Fees may be adjusted to take account of additional work on the accounts. The audit of housing benefits would be completed and reported later in the financial year.

In 2015/16, the value for money conclusion would be escalated to show 'significant risk' because of looming risks to financial resilience. The audit would be conducted under a new code from the National Audit Office.

Nigel Kennedy and Jackie Yates said that the outstanding unqualified audit result with no issues raised was down to the hard work of the financial accounting team. Adjustments to the draft accounts were technical changes and had no impact on the overall financial position of the authority. The 2015/16 risks would be addressed in the preparations for that audit.

The Committee agreed to note the report of the external auditor and the audit opinion.

18. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2015

The Committee considered the report of the Head of Financial Services setting out the Council's final audited Statement of Accounts for the year ending 31 March 2015 and the Council's letter of representation to the external auditors.

Nigel Kennedy circulated an amended table altering page 55 of the statement of accounts (capital adjustment account). This made no change to the councils overall financial position but made a change to reflect the investment property income revaluation correctly, moving it from 'charges for depreciation and impairment of non-current assets' to 'movements in the market value for investment properties debited or credited to the comprehensive income and expenditure statement'.

The Committee resolved to

1. approve the audited Statement of Accounts and authorise the Head of Financial Services and Chair of the Committee to sign the Statement of Accounts; and
2. approve the Letter of Representation to enable the opinion to be issued.

The Chair signed the Statement of Accounts and Letter of Representation

19. INTERNAL AUDIT PROGRESS REPORT: QUARTER 1 2015/16

The Committee considered the report of the internal auditor, PwC, providing a progress update on the agreed 2015/16 internal audit plan in Quarter 1 and Quarter 2.

Kate Mulhearn introduced the report and answered questions. PwC had completed several reports, summarised in the progress report. Full reports were presented to the committee on health and safety and planning applications for completeness as the recommendations and actions were discussed at the June meeting.

Officers advised that implementing the recommendations for housing allocations was in progress. There were no instances of adverse consequences for applicants identified as people were contacted to discuss their registration but there was previously no verification of this. The challenge was to align the available information to the required level of monitoring without manual intervention.

Jackie Yates undertook to confirm the status of the housing allocations system upgrade in the IT work programme.

Anna Winship introduced Greg Rubins and Gurpreet Dulay, the new internal audit team from BDO who would take over from the PwC team on 1 October.

The Committee welcomed the new audit team and noted this would be the last meeting Kate and PwC would attend.

The Committee noted the report.

20. INTERNAL AUDIT REPORT - HEALTH AND SAFETY: HOUSING STOCK AND CORPORATE ASSETS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of Health and Safety: Housing Stock and Corporate Assets.

Kate Mulhearn introduced the report. Anna Winship confirmed that one action was nearly complete and all others were complete.

The Committee agreed to note the report.

21. INTERNAL AUDIT REPORT - MANAGING CAPITAL PROJECTS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of the Council's management of capital projects.

Kate Mulhearn introduced the report. She highlighted areas of good practice and the recommendations considered and agreed by senior officers. She recommended that the controls and processes for managing high risk and/or

high value projects were monitored to ensure these worked satisfactorily and quickly identify any problems.

Nigel Kennedy and Martin Shaw answered questions from councillors. They confirmed that training for officers was ongoing, focussing on realistic timescales and proposals, and delivery on time and budget. Training was offered to members. The overall programme was managed through monthly progress meetings and projects had measurable outputs, but these were subject to change as funding and government policy evolved. This improved monitoring and early identification of the reasons and nature of any slippage. Every project had a sponsor and a manager and reported to the monthly meetings on a risk-based basis. Additional projects and changes to the capital programme could be authorised by Council during the year if essential.

Councillors commented:

- Publically sensitive projects should be subject to the same processes as high value projects because of the reputational risk to the council.
- Was it possible to reduce the time between making a bid for funding in the budget and commissioning (nearly a year) to reduce the risks associated with the delay, or could these be factored into the bids?

The Committee agreed to note the report.

22. INTERNAL AUDIT REPORT - PLANNING APPLICATIONS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of planning applications.

David Edwards confirmed that the service now had sufficient staff to manage the development control workload. The number and complexity of applications was increasing: Network Rail would provide funding for a planning officer and an environmental specialist. Oxford University would need to fund a planning officer and a conservation specialist to manage applications relating to their development programme.

The Committee agreed to note the report and the update on development control.

23. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 1 2015/16

The Committee considered the report of the Head of Financial Services setting out progress on the implementation of internal and external audit recommendations.

Anna Winship confirmed that 11 recommendations were now complete and would be removed from the tracker.

The Committee agreed to note the report.

24. BUSINESS RATES COLLECTION AND RETENTION REPORT

The Committee considered the report of the Head of Financial Services setting out how business rates were collected and distributed and the associated risks to the council.

Nigel Kennedy introduced the report and answered questions from the committee. He explained that the business rate income was distributed between the Government, the billing authority and the County Council in the ratio 50/40/10. Additionally, the new system of Business Rates Retention introduced with effect from 1 April 2013 transferred the risk of variations in business rates income away from Government to the Local Authority. Variations in business rates such as appeals against the valuation could reduce income to the authority significantly. Although there was a safety net below which income would not drop this was based on 92.5% of the authority's baseline income. For Oxford City income could reduce by (and the authority could lose) around £400k before the safety net became operational. He outlined the major risks to the council from the results of and accounting for appeals against the Valuation Office's assessments. This and other changes and uncertainties resulted in a £800,000 revenue shortfall in 2016/17 based on the latest calculations, with the potential for this to be larger in that or future years. This would be taken into account in the refresh of the Councils Medium Term Financial Plan which was currently underway.

Councillors noted the calculation method and the risks, including the reputational risk to the council as the billing and collection authority without control over the valuations or charges.

The Committee noted the report and the explanation, and thanked the Head of Financial Services for this.

25. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1 2015/16

The Committee considered the report of the Head of Financial Services reporting corporate and service risks as at the end of Quarter 1, 30 June 2015.

Anna Winship introduced the report and answered questions. She said that the red risk relating to a project in direct services would reduce once the project was completed. Jackie Yates confirmed there was a detailed and carefully managed IT plan and programme of work. Councillors raised concerns over the risks from having vacancies in key senior and lower-grade posts and considered how to review this.

The Committee agreed to:

1. note the report; and
2. ask the Scrutiny Committee if they wished to review recruitment and retention of staff within the council.

26. MINUTES OF THE PREVIOUS MEETING

The Committee agreed to approve the minutes of the meeting held on 29 June 2015 as a true and accurate record.

27. DATES AND TIMES OF MEETINGS

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 7.45 pm