

# Agenda

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## Audit and Governance Committee

Date: **Tuesday 1 March 2016**

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Time: **5.30 pm**

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Place: **St Aldate's Room, Town Hall**

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For any further information please contact:

**Jennifer Thompson, Committee and Members Services  
Officer**

Telephone: 01865 252275

Email: [democraticservices@oxford.gov.uk](mailto:democraticservices@oxford.gov.uk)

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# Audit and Governance Committee

## Membership

<b>Chair</b>	Councillor James Fry
<b>Vice-Chair</b>	Councillor Jean Fooks
	Councillor Van Coulter
	Councillor Roy Darke
	Councillor Chewe Munkonge
	Councillor Michele Paule
	Councillor David Thomas

The quorum for this meeting is three members. Substitutes are permitted

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# AGENDA

## Pages

1 **APOLOGIES FOR ABSENCE**

2 **DECLARATIONS OF INTEREST**

3 **EXTERNAL AUDIT - AUDIT PLAN 15-16 MARCH REPORT**

7 - 24

**Purpose:** the Audit Plan sets out how Ernst & Young intend to carry out their responsibilities as auditor.

**Recommendation:** the Committee is asked to discuss the plan.

4 **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT FOR 2014/15**

25 - 36

**Purpose:** the report summarises the work of the external auditor on the Council's housing benefit subsidy claim.

**Recommendation:** the Committee is asked to discuss this report.

5 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

37 - 48

Local Government Audit Committee briefing presented by the Council's external auditors, Ernst & Young.

6 **INTERNAL AUDIT PROGRESS REPORT, QUARTER 3 2015/16**

**Report of the Internal Auditor (to follow)**

**Purpose:** to inform the Committee of progress made against the 2015/16 internal audit plan which was approved by Audit and Governance Committee on 23 April 2015.

The following reports were issued with a Moderate opinion for both design and effectiveness of controls and the Executive Summary is provided in this report:

- Budgetary Control and Performance Management
- Enforcement
- Homelessness Prevention

An audit for the DCLG Flood Support Scheme Grant Certification was completed. This is a certification for grant funding received: BDO issued a letter to DCLG confirming no instances of non-compliance were identified

**Recommendation:** The Committee is asked to note the report.

7	<p><b>INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS MARCH 2016 REPORT</b></p> <p><b>Report of the internal auditor (to follow)</b></p> <p><b>Purpose:</b> to inform the Committee of progress on those recommendations raised by Internal Audit which are due for implementation.</p> <p><b>Recommendation:</b> the Committee are asked to consider and note the report.</p>	
8	<p><b>PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 3 2015/16</b></p> <p><b>Purpose of report:</b> To report progress on the implementation of internal and external audit recommendations.</p> <p><b>Recommendation:</b> The Audit and Governance Committee is asked to note progress with the recommendations listed in Appendix A.</p>	49 - 54
9	<p><b>RISK MANAGEMENT REPORT: QUARTER 3 2015/16</b></p> <p><b>Purpose of report:</b> To update the Committee on both corporate and service risks as at the end of Quarter 3, 31st December 2016.</p> <p><b>Recommendation:</b> That the Committee notes the contents of this report, in particular that the Housing Revenue Account business plan risk has been separated from the Medium Term Financial Plan risk.</p>	55 - 62
10	<p><b>INVESTIGATION TEAM PERFORMANCE AND ACTIVITY Q1-Q3 REPORT</b></p> <p><b>Purpose of report:</b> To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 January 2016</p> <p><b>Recommendation:</b> That the Committee note the report.</p>	63 - 84
11	<p><b>OFFICER EXECUTIVE DECISIONS MAY 2015 TO FEB 2016</b></p> <p><b>Purpose of report:</b> to inform the Committee of the Officer Executive Decisions taken in this municipal year.</p> <p><b>Recommendation:</b> that the Committee note the report and the decisions taken.</p>	85 - 94
12	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p>	95 - 98
13	<p><b>DATES AND TIMES OF MEETINGS</b></p> <p>The Committee will meet at 6.00pm in the Town Hall on the following date:</p> <p>29 June 2016</p>	

## **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; licenses 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.

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

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## Oxford City Council

Year ending 31 March 2016

### Audit Plan

12 February 2016

Ernst & Young LLP



Building a better  
working world

Members of the Audit and Governance Committee  
Oxford City Council  
Town Hall  
St Aldate's  
Oxford  
OX1 1BX

12 February 2016

Dear Committee Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this plan with you 1 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King  
Executive Director  
For and behalf of Ernst & Young LLP  
*Enc*



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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. Overview

## **Context for the audit**

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Oxford City Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

There have been no changes in the scope of our audit.

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of fraud in revenue and/or expenditure recognition</b>	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>▶ Review and test revenue and expenditure recognition policies</li> <li>▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias</li> <li>▶ Develop a testing strategy to test material revenue and expenditure streams</li> <li>▶ Review and test revenue and expenditure cut-off at the period end date.</li> </ul>
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ Reviewing accounting estimates for evidence of management bias, and</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul>

### Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;

- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and
- ▶ Performing mandatory procedures regardless of specifically identified risks.

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### 3. Value for money risks

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015-16 this is based on the overall evaluation criterion:

*"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council's arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering the Council's proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that is already required, and to report on through documents such as the Annual Governance Statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment therefore considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. To date we have not identified any risks which we view as significant to our value for money conclusion at this point in our audit. One issue that we are aware of from our discussions with officers is the impact of the announcement in the Summer Budget 2015 that rents for social housing will be reduced by one per cent a year for the next four years. We will review the impact on the Council's HRA Business Plan and the Council's response to this announcement.

We have considered the guidance in the context of our knowledge and understanding of the Council's circumstances and the risks that it faces.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements, and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report as required to the Audit Committee by exception on the Council's Annual Governance Statement and other accompanying material, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

2. Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

3. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This criterion is divided into three sub-areas for consideration:

- ▶ Informed decision-making;
- ▶ Sustainable resource deployment;
- ▶ Working with partners and other third parties

In arriving at our value for money conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

### 4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls;
- ▶ reliance on the work of experts on pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

#### **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests

- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

### Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

### Use of experts

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, plant and equipment	Marshalls, Carter Jonas, Mike Scott, Gerard Eve
Pensions	EY Pensions team/ Barnett Waddingham
Business rates provision	Analyse local

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council’s environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of the specialist’s work; and
- ▶ Assess whether the substance of the specialist’s findings are properly reflected in the financial statements.

## 4.3 Mandatory procedures required by auditing standards

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;

- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

#### **Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

### **4.4 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined the proposed overall materiality for the financial statement of the Council is £3,728,000 based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £186,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

### **4.5 Group considerations**

The Council's financial statements include transactions relating to Barton Oxford LLP, a joint venture vehicle to develop social and affordable housing on land owned by the Council at Barton and a new joint venture with Nuffield College. Our audit procedures will focus on the consolidation and significant in year changes to these disclosures.

### **4.6 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Oxford District Council is £86,175, together with an estimated fee of £25,438 for the certification of the housing benefits subsidy claim.

### **4.7 Your audit team**

The engagement team is led by Paul King who has significant experience of auditing local government clients. He is supported by David Guest as engagement manager who is responsible for the day-to-day direction of audit work and is the key point of contact for management.



## 4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Governance Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit and Governance Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>April 2015</b>	<b>April 2015</b>	Audit Fee letter
Risk assessment and setting of scopes	<b>January 2016</b>	<b>March 2016</b>	Audit Plan
Testing routine processes and controls	<b>February-April 2016</b>	<b>March 2016</b>	Audit Plan
Update risk assessment	<b>June 2016</b>	<b>June 2016</b>	Progress Report
Year-end audit	<b>June-September 2016</b>		
Completion of audit	<b>September 2016</b>	<b>September 2016</b>	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Housing Benefit Claim	<b>June to October 2016</b>		Certified claim
Conclusion of reporting	<b>October 2016</b>	<b>December 2016</b>	Annual Audit Letter
Reporting on Certification work	<b>December 2016</b>	<b>March 2017</b>	Annual certification work report

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

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

#### Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Engagement and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed and analysed in appropriate categories.

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Paul King, the audit engagement director and the audit engagement team have not been compromised.

## **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	<b>Planned Fee 2015/16 £</b>	<b>Scale fee 2015/16 £</b>	<b>Outturn fee 2014/15 £</b>	<b>Explanation</b>
Opinion Audit and VFM Conclusion	£86,175	£86,175	£121,431*	The scale fee [£114,900] has been reduced by 25% to recognise savings from the last Audit Commission retendering exercise
<b>Total Audit Fee – Code work</b>	<b>£86,175</b>	<b>£86,175</b>	<b>£121,431</b>	
Certification of claims and returns	£25,438	£25,438	£34,100	The 2015/16 indicative fee is based on 2013/14 actual fee
<b>Total</b>	<b>£111,613</b>	<b>£111,613</b>	<b>£155,531</b>	

*All fees exclude VAT.*

\*This amount includes a scale fee variation for additional work on the accounting treatment of the Westgate development.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion are unqualified;
- ▶ The Council provides appropriate quality documentation; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and any formal objections will be charged in addition to the scale fee.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Governance Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> </ul>
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>

Required communication	Reference
<p>communication is subject to compliance with legislation on tipping off</p> <ul style="list-style-type: none"><li data-bbox="355 349 1150 465">▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.</li></ul>	

Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Opening Balances</b></p> <ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	<p>Report to those charged with governance</p>

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## Oxford City Council

Certification annual report 2014-15

February 2016

Ernst & Young LLP



**Private and confidential**

The Members of the Audit & Governance Committee  
Oxford City Council  
The Town Hall  
St Aldates  
Oxford OX1 1BX

12 February 2016

Ref: OCC - ACR

Direct line:

Email: pking1@uk.ey.com

Dear Members

**Certification annual report 2014-15  
Oxford City Council**

We are pleased to report on our certification work. This report summarises the results of our work on the Council's housing benefit subsidy claim.

**Scope of work**

Benefit authorities claim large sums of public money in subsidies from central government and are required to complete housing benefit subsidy claims. The Department for Work and Pensions (DWP) requires certification from an appropriately qualified auditor of the housing benefit subsidy claims.

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments Limited (PSAA). PSAA is responsible for setting indicative fees for certification work and for making arrangements for appointed auditors to certify annual housing benefit subsidy claims from local authorities to the DWP. In certifying these claims, auditors act as agents of PSAA and are required to comply with a specified approach.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims are fairly stated and in accordance with specified terms and conditions.

Where auditors agree it is necessary audited bodies can amend a claim. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

PSAA does not make arrangements for auditors to certify any other claims or returns. Appointed auditors can act as reporting accountants for other claims and returns.

**Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). The Statement remains in use under the transitional arrangements delegated to the PSAA. It is available from the Chief Executive of each audited body and the PSAA.

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.

Each year, auditors must report the results of the previous year's certification work to those charged with governance at each local authority. The report is mandatory. Reports must be issued to authorities and copied to the PSAA. Your annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

## **Summary**

Section 1 of our report outlines the results of our 2014-15 housing benefit subsidy claim certification work and highlights the significant issues.

The housing benefit subsidy claim had a total value of £64.7 million. We met the submission deadline. We issued a qualification letter. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had only a minimal impact on the subsidy due.

While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. We have recommended that the Council should:

- extend the level of checking that is carried out from the current level of 10% in known problem areas;
- monitor the percentage of cases that are checked to ensure that any targets set are being met; and
- identify assessors who are making the most errors and focus checking on the cases they have processed.

Fees for certification work are summarised in section 2. The indicative fee for 2014-15 is based on the final 2012-13 certification fee, reflecting the amount of work required by the auditor to certify the benefit claim in that year.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee

Yours faithfully

**Paul King**  
Executive Director  
Ernst & Young LLP  
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## Contents

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## 1. Summary of 2014-15 benefit certification work

The main findings from our benefit certification work are provided below.

### Housing benefit subsidy claim

Scope of work	Results
Value of claim presented for certification	£64,659,629
Limited or full review	Full
Amended	Amended – Subsidy reduced by £597
Qualification letter	Yes
Fee – 2013-14	£38,715 (includes additional fee of £3,510 required for work in response to DWP query)
Fee – 2014-15	£34,100
<b>Recommendations from 2013-14:</b>	<b>Findings in 2014-15</b>
The Council needs to continue to prioritise staff training and quality control in the Revenues and Benefits team to ensure that the target set by the Council for benefit assessment accuracy is met and reduce the level of our testing required to certify this claim. Complete reconciliation of subsidy to software balancing report to resolve differences between the two.	Our work is still identifying a number of errors particularly in respect of income assessment and misclassification between overpayment cells.

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) where errors were found in the previous year or if initial testing identifies errors in the calculation of benefit or compilation of the claim.

Due to the number of errors found in previous years a large volume of additional testing continues to be required. In addition to our initial testing of the three headline cells (20 cases in each of rent rebates (non HRA), rent rebates (HRA) and rent allowances) officers carried out extended testing for each cell where errors were found last year and where errors were found in this year's initial testing. Three sets of 40+ testing were completed based on prior year errors and one further set of 40+ testing was completed for current year [compared with six sets lots in 2013-14]. We also completed three sets lots of 100% testing where errors were identified in benefit cells with populations of less than 100 cases (compared to two sets in 2013-14).

Where our testing enabled us to quantify the error, without extrapolation, the Council amended the claim. These amendments reduced the subsidy payable to the Council by £597.

We are required to report the nature of the errors found and extrapolate the value across the cell population. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

The value of extrapolations in 2014-15 were:

£8,074 [Cell 28 overstated, cell 27 understated];

£8,118 [Cell 114 overstated, cell 113 understated];  
 £8,707 [Cell 102 overstated £7,124, cell 103 overstated £1,583, cell 113 understated £8,707];  
 £7,737 [Cell 98 overstated £955, cell 102 overstated £4,776, cell 103 overstated £1,910 and  
 cell 113 understated £7,737].

Our work is still identifying a number of errors in the processing of benefits payments. The following are the main issues included in our qualification letter:

Underpaid benefit and overpaid benefit as a result of errors in income assessment.	Testing identified both underpaid and overpaid benefit for a number of claimants, mainly as a result of incorrectly calculating claimant income.  As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified did not affect subsidy and were not classified as errors for subsidy purposes.  The overpayment errors have been extrapolated across the relevant cell totals and reported to the DWP.
Calculation of headline cell	We found four cases where the Council was unable to recalculate the amount of subsidy for the purpose of completing the workbooks in 40+ testing
Misclassification of overpayments	The level of subsidy for overpayments is determined by the classification of the overpayment. The misclassification errors found resulted in understatements of subsidy claimed due to misclassification as eligible error instead of LA and admin error.

These issues were similar to the issues reported in 2013-14 and extended across the full range of benefit types.

The Council has continued to prioritise staff training and quality control in the Revenues and Benefits team in order to reduce the number of errors in processing benefits claims. Quality control measures in place are as follows:

- 100% of all assessments are checked for all new members of the benefits team to ensure that they are aware of all the necessary processes and procedures before this is reduced down to 10%;
- for all other members of the team 10% of cases are checked for each assessor.

The target that the Council has set for benefit assessment accuracy is 85% of all decisions checked, including those made by new staff, to be financially correct. In 2014, 87% of all decisions checked were correct.

While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. Given that there has not been a significant improvement the Council should:

- extend the level of checking that is carried out from the current level of 10%;
- monitor the percentage of cases that are checked to ensure that any targets set are being met; and
- identify assessors who are making the most errors and focus checking on the cases they have processed.

## 2. 2014-15 certification fees

The indicative fee for 2014-15 is based on the final 2012-13 certification fee for the housing and council tax benefits subsidy claim, reflecting the amount of work required by the auditor to certify the claim, but adjusted for council tax benefits dropping out of the 2014-15 claim.

Claim or return <sup>1</sup>	2013-14 Actual fee £	2014-15 Scale fee £	2014-15 Actual fee £
Housing benefit subsidy claim	37,427	34,100	34,100
Pooling of housing capital receipts (1)	1,358	-	-
Other claims	-	-	-
<b>Total</b>	<b>40,275</b>	<b>34,100</b>	<b>34,100</b>

(1) From 2014-15 the Pooling of housing capital receipts return is no longer certified by the appointed auditor as part of the certification arrangements with the PSAA.

### 3. Looking forward

For 2015-16 the Audit Commission set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefit authority. The indicative fee is based on the actual 2013-14 benefit certification fee reduced by 25% following the further tendering of contracts in March 2014.

The Council's indicative certification fee for 2015-16 is £25,438. The actual certification fee for 2015-16 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2013-14.

We must seek the agreement of PSAA to any proposed variations to indicative certification fees. The PSAA expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2013-14 fee.



## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<b>Housing and council tax benefits subsidy claim</b>				
<p>While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. Given that there has not been a significant improvement the Council should:</p>	<p>High</p>	<ul style="list-style-type: none"> <li>• We have concentrated on earnings as a problem area and have produced aide memoire's for earnings and child care costs. We have carried out 100% checking of overpayments and 100% of all work for new starters. We will continue to monitor trends in errors and review training needs as well as extending checking in these areas</li> </ul>	<p>31/3/17</p>	<p>Benefits Senior Officers/Team Leaders</p>
<ul style="list-style-type: none"> <li>• extend the level of checking that is carried out from the current level of 10% in known problem areas;</li> <li>• monitor the % of cases that are checked to ensure that any targets set are being met; and</li> </ul>		<ul style="list-style-type: none"> <li>• The productivity and accuracy stats have been monitored by the Team Leaders weekly and reported monthly to the Benefits Manager we will continue to do this.</li> </ul>	<p>31/3/17</p>	<p>Benefits Manager/Team Leaders</p>

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- 
- identify assessors who are making the most errors and focus checking on the cases they have processed

- We had identified a couple of staff making errors this year, one of these was a Temp we terminated their contract the other a permanent member of staff that was given extra training, We continue to monitor this weekly.

31/3/17

Benefits Senior Officers/Team Leaders

Going forward from April 2016 we are looking at concentrating solely on accuracy and future targets for staff will be set on this basis.

31/3/16

Service Manager Revenues and Benefits/Benefits Manager

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## Local government audit committee briefing

### Contents at a glance

**Government and economic news**

**Accounting, auditing and  
governance**

**Regulation news**

**Key questions for the audit  
committee**

**Find out more**

This sector briefing is one of the ways that we see as supporting 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 in EY's national Government and Public Sector (GPS) team have extensive public sector knowledge which is supported by the 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 Authorities.

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 engagement team.



## Government and economic news

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### EY Item Club forecast

In its latest quarterly forecast (Winter) the EY Item Club highlights that what it terms the UK consumer's "holiday" from inflation and austerity in 2015 is expected to continue well into 2016, aided by the sharp fall in oil and other commodity prices, and the Chancellor's change of heart on working tax credits.

Whilst the global situation is clearly fragile, the UK is seen to be well placed to ride out the storms. Growth is expected to increase from the revised 2.2% in 2015 to 2.6% this year, being supported by low inflation and interest rates. The CPI is forecast to increase by just 0.7% and they do not expect the Bank of England Monetary Policy Committee to increase bank rate until late in the year.

Looking further forward, the forecast is for inflation and austerity to return, with GDP growth of 2.3% in 2017 and 2.2% in 2018 and consumer spending growth dropping from 2.8% in 2016 of 2.1% in 2017 and 1.7% in 2018. Highlighted as impacting on this are the increasing taxes and levies on consumers and companies, and the roll-out of Universal Credit (which will claw back this Autumn's concessions to low earners). Inflation is expected to increase to 1.8% by 2018, remaining below the MPC target until 2019.

Continuing uncertainty over the EU Referendum could potentially hit business investment this year, as businesses wait to see the result, but momentum in the UK and other economies is seen as supporting capital spending this year.

### Local Government Devolution

Towards the end of 2015, Birmingham and Liverpool each agreed devolution deals with Treasury which gives them control over infrastructure investment, transport and skills. This brings the total of devolution deals to 6:

- ▶ Birmingham
- ▶ Liverpool
- ▶ Greater Manchester
- ▶ Sheffield
- ▶ North East
- ▶ Tees Valley

Each area will need to elect a metro mayor, with elections expected to take place in 2017.

For Birmingham, £1.2bn of government investment is anticipated over the next 30 years, and for Liverpool the expectation is £30mn per year over the next three decades.

Read the government announcements in full at <https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine> and <https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse>.



## Government and economic news

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### Spending Review 2015

Some headlines from the Spending Review 2015 include:

- ▶ The intention to be running a £10bn surplus by 2019/20.
- ▶ Tax credit taper rates and thresholds will remain unchanged.
- ▶ Council tax increases of 2% to support social care will be permitted. Local Police and Crime Commissioners will have the power to increase their share of council tax by 2% from April 2016.
- ▶ From 2020, local government will retain 100% of business rates collected. The system of top ups and tariffs redistributing revenues between local authorities will be retained. The uniform rate will be abolished; allowing local areas to cut business rates if they choose to do so in order to win new jobs and generate wealth.
- ▶ Police and schools funding will be protected in line with inflation.

Read more at:

<https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>

The Government has also consulted on the 2016-17 settlement. Further details available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/486730/Provisional\\_settlement\\_consultation\\_document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486730/Provisional_settlement_consultation_document.pdf).

### Consultation: New Homes Bonus

In 2011 the New Homes Bonus was introduced to incentivise local authorities to encourage housing growth in their areas. Since 2011, £3.4bn has been allocated to support the delivery of 700,000 new homes and the return of 100,000 long term empty homes to use.

The Department for Communities and Local Government (DCLG) has released a consultation which seeks views on potential changes to the New Homes Bonus. The changes are intended to “better reflect authorities’ delivery of new housing”. Other proposed changes include introducing a reduction to the number of years in which current and future payments are made, from six years to four years.

See full details of the consultation as well as methods for responding at:

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

The deadline for response is 10th March 2016.



## Government and economic news

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### Local Authority Revenue Expenditure and Financing

During November 2015, statistics for 2014-15 on revenue expenditure and financing with local government were released by the Department for Communities and Local Government.

Some highlights include:

Total revenue expenditure by local authorities in England reduced by 0.5% in 2014-15, from £96.4bn in 2013-14 to £95.9bn, however, excluding spend on Education (30.7% of total net current expenditure) there was an increase of 1.5% from £60.5bn in 2013-14 to £61.5bn.

Net current expenditure on education saw the largest decrease, which was largely driven by schools achieving academy status and therefore receiving central expenditure, and by the reclassification of some services to Children and Families Social Care services (which saw a £1.2bn increase for this reason).

Local Authorities added £0.9bn to reserves in 2014-15 as compared to £2.4bn in 2013-14. This takes total reserves to £22.5bn and means that the last 15 years has seen a significant increase in the amount held by local authorities in non-ringfenced reserves. Communities Secretary Greg Clark has noted this increase and said:

“With local government accounting for a quarter of all public spending, it is right that they are called on to play their part in dealing with the deficit.

Today’s figures show how they are well placed to do so, with local authorities holding £22.5bn held in non-ringfenced reserves – up 170% in real terms over the last 15 years.

As we continue to secure our country’s economic future and cut the deficit, now is the time to make efficient use of their assets and resources to provide the services local people want to see.”

Public Finance has published an article available at <http://www.publicfinance.co.uk/news/2015/11/mounting-reserves-leave-councils-well-placed-make-cuts-says-clark>, and the full publication is available at <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-in-england-2014-to-2015-final-outturn>

### Response to flooding

The Bellwin scheme, which compensates eligible authorities for exceptional costs incurred in incidents like flooding, has been opened for councils affected by floods resulting from storms Desmond and Eva.

Authorities are eligible for costs under the scheme when they have spent more than 0.2% of their calculated annual revenue budgets on works.





## Government and economic news

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Bellwin allows eligible authorities to apply to have 100% of their costs above threshold reimbursed by the government.

Eligible authorities include:

- ▶ Councils
- ▶ Policing bodies
- ▶ Fire and rescue authorities
- ▶ National Park authorities

For more information see <https://www.gov.uk/government/news/north-west-england-floods-2015-government-response>.

### Council Tax support

A review into the effectiveness of Council Tax support schemes across the country has been initiated, led by Member of Parliament, Eric Ollerenshaw, OBE.

Council Tax Benefit was reformed from 2013-14 to give councils the power to design their own schemes and align them to local needs. This review is intended to examine the implementation of this change and to consider whether or not this support should be part of the Universal Credit payments in the future.

Further details of the review are available at:

<https://www.gov.uk/government/news/launch-of-review-into-council-tax-support>.

### Public sector exit payment recovery regulations

The government is consulting on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015. These regulations allow for the recovery of exit payments following the return of a high earner to the public sector within a year of their initial departure.

Changes made to the policy since the previous consultation include:

- ▶ The minimum earnings threshold for individuals subject to the recovery provisions has been lowered from £100,000 to £80,000
- ▶ The policy has been extended to include qualifying returns to any part of the public sector, rather than only to the same part of the public sector
- ▶ Introduction of a tapered recovery period for 12 months from the exit date
- ▶ Recovery will now include employer funded pension 'top up' payments made under the Local Government Pension Scheme.

Public sector organisations that are in scope and those that are proposed to be exempt are included in the draft regulations.

Following this consultation, the regulations will go through Parliamentary scrutiny, and the intention is that the policy will take effect from April 2016.

Read more at <https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses>.



## Accounting, auditing and governance

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### Faster Close update

Since our think piece 'accelerating your financial close arrangements' in the summer – we have worked together with our clients to successfully deliver another round of financial statements audits.

We have seen again a number of our clients achieve the earlier 31 July deadline – three years ahead of schedule. Nationally, 5% of opinions were issued by 31 July for 2014-15.

At other clients, we have seen a shortening of the actual audit window as both preparers and auditors refine the operational timetable in readiness for 2017-18 audits.

The think piece set out some areas where preparers can hone their closedown plans and work with their auditors in the run up to the revised timetable. Discussions with clients around the country are showing encouraging signs that finance teams are already grasping the issue and working on solutions to enable them to prepare and submit draft financial statements and supporting working papers to the auditor by 31 May. Twenty-one percent of our clients have committed to this earlier target for the 2015-16 audits.

On our side, as a firm, we are reviewing how we can streamline our audit approach, to provide maximum ability to undertake early substantive testing across a Month 8-10 window, thereby reducing some pressure in the key June – July audit window. This may not work in all cases, because of the budget setting process, so other ways of streamlining the audit approach are also being developed.

In addition, we are addressing the resourcing challenge that this presents to audit firms, with a significant recruitment campaign to enable us to continue to deliver exceptional client service across the entire sector. This will require us to phase our audits, at both an interim and final audit stage to allow us greater flexibility in resource deployment and audit clients should be prepared to have bigger audit teams on site for shorter periods of time, as running all audits concurrently is not likely to be possible.

A key issue arising from our recent discussions is dealing with the governance processes at councils for receiving the auditor's report and approving the accounts. There are a wide range of approval processes in place at councils as a result of custom and practice over the years, and some are more streamlined than others.

Councils will need to review their governance processes for approving the accounts with a view to making it as simple as possible to ensure the maximum amount of the nine week window for audit can be used for audit procedures. Under the Account and Audit Regulations 2015, it is only the responsibility of the committee 'charged with governance' to approve the financial statements ahead of final certification by the s151 officer. Adding additional layers of approval through to Cabinet or Full Council slows down the governance process and potentially adds to the audit burden.

For 2014-15 audits, 8% of our clients had Audit Committee meetings scheduled before September for approval of the financial statements. For 2015-16, in several instances Audit Committee timetables have not yet been finalised, however, currently 7% of our client base has already confirmed that their Audit Committee timetable would enable accounts authorisation before September, with 4% scheduled before 31 July 2016.



## Accounting, auditing and governance

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An effective Audit Committee is one which can appropriately scrutinise the financial statements and the auditor's results report prepared under International Standard on Auditing (UK&I) 260, and challenge officers about accounting policies and estimates in order to be able to approve the financial statements on behalf of the council.

Given the lead time for amending corporate governance processes, officers should review the approval arrangements, and schemes of delegation from Full Council, ensuring that the Audit Committee operates as effectively as possible and to the remit as set out by CIPFA in its guidance 'Audit Committees: Practical Guidance for Local Authorities and Police (2013 edition)'.

We are encouraged by the response of our clients to this challenge and the acceptance that it is a joint responsibility to achieve the faster close, and we will continue to work with you as we both prepare for the advanced deadlines.

For further information, please speak to a member of your engagement team.

### Value for Money guidance

The Local Audit & Accountability Act 2014 Section 20(1) requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

The Act is implemented through the National Audit Office's 2015 Audit Code of Practice (the Code), which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

Paragraph 3.14 sets out that 'the auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report as appropriate to audited bodies other than health service bodies, providing a conclusion that in all significant respects, the audited body has (or has not) put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period'.

To support the Code, the NAO issues guidance to auditors. This is undertaken by preparing and publishing Auditor Guidance Notes (AGNs) which are publically available on its website. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

AGN 03 – Auditors' work on Value for Money Arrangements was published in November 2015 following a consultation period. It confirms the requirement is for auditors to issue a conclusion in respect of the single overall criterion that:

**"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."**

To assist auditors the NAO provide three sub-criteria that are intended to guide auditors in reaching their overall judgement:

- ▶ Informed decision making
- ▶ Sustainable resource deployment
- ▶ Working with partners and other third parties

However, these are not separate and auditors are not required to reach a judgement against each one.

Underpinning these sub-criteria are the proper arrangements,



## Accounting, auditing and governance

which are aligned to the scope of arrangements that are already required to be put in place and reported on through documents such as the annual governance statement.

Auditors are required to undertake a risk assessment to identify any significant risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.

The Code defines 'significant' as follows: **"a matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects."**

Where such a significant risk is identified, further audit work will be undertaken based on the auditor's professional judgement. If the auditor does not identify any significant risks, there is no requirement to carry out further work.

Full information on all of the above can be found within AGN 03. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

### New arrangements for the exercise of public rights

The Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015-16 onwards. In respect of principal bodies, paragraph 9(1) requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced. This is a change to previous arrangements where the local auditor notified the audited body of the appointed date on or after which local government electors could exercise their rights.

Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place until after the conclusion of the period for the exercise of public rights. For 2015-16, the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.

Paragraph 14(1) states that any rights of objection, inspection and questioning of the local auditor conferred by sections 26 and 27 of the Act may only be exercised within a single period of 30 working days. In effect this paragraph brings the period in which an elector can question the auditor into the inspection period, rather than immediately following the inspection period as per the previous regulations. As a result of this, auditors are unable to issue their audit reports until the 30 day period has been concluded.

Read the regulations in full at <http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made>.

### Consultation: HRA accounting

The Department for Communities and Local Government is consulting on directions to replace the Housing Revenue Account (Accounting Practices) Directions 2011, which will cease to have effect in relation to Housing Revenue Accounts of local housing authorities in England from 1 April 2016. DCLG describes the replacement directions as essentially technical changes in order to bring the accounting requirements in line with proper practices under international accounting standards. They specify information to be disclosed in the notes to the HRA.

See full details of the draft direction at:

<https://www.gov.uk/government/consultations/housing-revenue-account-accounting-practices-directions-2015>



## Regulation news

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### Report on the results of auditors' work 2014-15

Public Sector Audit Appointments (PSAA) have published their first report showing the results of auditors' work for 2014-15 covering 509 principal bodies and 9,755 small bodies.

The report includes information on timeliness of reporting, as well as the outcomes of those reports.

- ▶ Auditors were able to issue an early opinion (by 31st July 2015) for 5% of principal bodies.
- ▶ The auditor was unable to issue an opinion by the statutory deadline of 30th September at 15 bodies (3%), compared to 2% in 2013-14.
- ▶ Consistent with 2013-14, no non-standard opinions were issued.
- ▶ 20 non-standard value for money opinions were issued, including 1 adverse conclusion, 18 except-for conclusions, and one report on matters arising.
- ▶ Ten value for money conclusions were outstanding at the time of publishing the report.

Read the report in full at:

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>



## Key questions for the audit committee

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### **What questions should the Audit Committee ask itself?**

Have we considered our responses to the key government consultations that affect us, including New Homes Bonus and HRA Accounting Directions?

Have we formulated a response to support the review of Local Council Tax Support Schemes? How effective have our council tax support arrangements been since 2013-14?

Are we monitoring our progress against the revised timetable for closing the accounts from 2017-18 onwards?

Have we considered amending governance arrangements to streamline the approval of the financial statements?



## Find out more

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### **Ey Item Club Summer 2015 forecast**

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### **Local Government Devolution**

Read the government announcements in full at <https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine> and <https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse>.

### **Spending Review 2015**

Read more at:

<https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>

### **Consultation: New Homes Bonus**

See full details of the consultation as well as methods for responding at:

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

### **Local Authority Revenue Expenditure and Financing**

The full publication is available at:

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-in-england-2014-to-2015-final-outturn>

### **Response to flooding**

For more information see <https://www.gov.uk/government/news/north-west-england-floods-2015-government-response>.

### **Council Tax Support**

Further details of the review are available at:

<https://www.gov.uk/government/news/launch-of-review-into-council-tax-support>.

### **Public Sector Exit Payment Recovery Regulations**

Read more at <https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses>

### **Faster Close update**

The original publication 'accelerating your financial close arrangements' can be accessed at [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Accelerating\\_your\\_financial\\_close\\_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

For more information, please contact a member of your engagement team.

### **Value for Money guidance**

Full information on the new guidance can be found within AGN 03. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

### **New arrangements for the exercise of public rights**

Read the regulations in full at <http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made>

### **Consultation: HRA accounting**

See full details of the draft direction at:

<https://www.gov.uk/government/consultations/housing-revenue-account-accounting-practices-directions-2015>

### **Report on the results of auditors' work 2014-15**

Read the report in full at:

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

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81480.indd (UK) 02/16. Artwork by Creative Services Group Design.

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**To: Audit & Governance Committee**

**Date: 1<sup>st</sup> March 2016**

**Item No:**

**Report of: Head of Financial Services**

**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.

**Key decision:** No

**Executive Lead Member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan – Efficient, Effective Council

**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 recommendations which remain outstanding together with updated management responses is provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on the percentage of completeness. Up to 25% complete is marked red, between 25% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have exceeded their original expected completion date are also marked red. Those recommendations that will be completed up to one month later than their original expected completion date are also marked as amber.

3. Any recommendations that were noted as 100% complete at the last meeting of the Audit and Governance Committee have been removed from the tracker.

#### **External Audit Recommendations**

4. Ernst and Young completed their certification work on the Housing Benefit Subsidy Claim in February 2016, the report appears elsewhere on the Agenda. The Subsidy Claim has a total value of £64.7 million, and during the review a number of errors were found and corrected by the Council, which led to a reduction in the claim of £597. Three recommendations were made following the review, all of which are included in the tracker and relate to the process for checking the accuracy of individual claims processed.

#### **Internal Audit recommendations**

5. This report covers the remaining audit recommendations from the reviews carried out by our previous internal auditors, PWC, and these will continue to be tracked through this report. Any new recommendations raised by BDO will be tracked and included in the BDO quarterly update report, which can be found elsewhere on this agenda.
6. There were five recommendations that were reported as not complete at the last Committee and these have now been reviewed and three continue to be reported as not yet complete.
7. The Housing Allocations recommendation relating to the performance reporting of housing applications is still outstanding. This recommendation relates to unavailability of management information on the completeness of housing applications from the system. System changes are due to be completed by 31/3/2016.
8. The Housing Rent recommendations relate to tenants that are in arrears not being contacted on a timely basis. At present officers call customers when they are 2 weeks in arrears and that is when the recovery process starts. Formal notice proceedings start at 4/5 weeks in arrears. The incomes team have made two improvements to assist in this, this includes
  - investing in software to help identify those tenants who have changes in circumstances (Mobyssoft)
  - introducing new software to assist with arrears escalation
9. There is one recommendation still outstanding following the Housing Benefit audit, this relates to the overpaid housing benefit debt. Whilst progress has been made there is still a significant amount of debt to analyse. A revised end point for this recommendation of 31/3/2016 in line with the Council's year end has now been given for completion.
10. In 2015/16 there have been no high risk reports raised by PWC, and a larger proportion of reports are being reported with an overall low risk.

Risk Rating	15/16		14/15		13/14	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	0	0%	0	0%	1	8%
Medium	2	40%	6	46%	0	0%
Low	3	60%	7	54%	12	92%
	5		13		13	

### Financial Implications

11. 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 audit have highlighted areas of risk or areas for improvement.

### Legal Implications

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

### Equalities Impact

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

### Climate change/environmental impact

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

### Name and contact details of author:

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**Background papers:** None

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**Audit Tracker**

Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
<b>External Audit</b>										
Housing Benefit Subsidy Claim certification work	February 2016	While the Council has continued to prioritise staff training and quality control in the Revenues & Benefits team the accuracy of benefits processing has not improved year on year.	High	the Council should extend the level of checkign that is carried out from the current level of 10% in known problem areas.	Tanya Bandekar	Tanya Bandekar	31/3/17		0	We have concentrated on eranings as a problem area and have produced aide memoire's for earning and child care costs. We have carried out 100% checking of overpayments and 100% of all work for new starters. We will continue to monitor trends in errors and review training needs as well as extending checking in these areas
Housing Benefit Subsidy Claim certification work	February 2016	While the Council has continued to prioritise staff training and quality control in the Revenues & Benefits team the accuracy of benefits processing has not improved year on year.	High	monitor the % of case that are checked to ensure that any targets set are being met	Tanya Bandekar	Tanya Bandekar	31/3/17		0	The productivity and accuracy stats have been monitored by the Team Leaders weekly and reported monthly to the Benefits Manager, we will continue to do this
Housing Benefit Subsidy Claim certification work	February 2016	While the Council has continued to prioritise staff training and quality control in the Revenues & Benefits team the accuracy of benefits processing has not improved year on year.	High	identify assessors who are making the most errors and focus checking on the cases they have processed	Tanya Bandekar	Tanya Bandekar	31/3/17		0	We had identified a couple of staff making errors this year, one of these was a temp, we terminate dtheir contract, the other, a permanent member of staff that was given extra training. We continue to monitor this weekly
<b>Internal Audit</b>										
Housing Allocations	July 2015	the number of incomplete applicatins is not able to be ascertained due to system limitations, however the team are aware that there is a backlog in the assessment of applications.	Medium	Applicants that are in need of housing may miss out on a possible offer of housing because their application is held up. The assessments team are not able to monitor performance, and there is potential they are operating well outside of published targets, resulting in poor customer service.	Mary Cox	Mary Cox	30/11/15	31/3/16	50	An action plan has been put in place to include; performance reporting - better management information on the nature of incomplete/incorrect forms will help inform training; online forms - the project to implement this will be re-considered and given appropriate priority with the overall ICT work programme; Customer Services Officers – will need full training to ensure completeness of applications. The team is currently still going through changes following the re-structure and the creation of the new Application Hub and the focus is currently on minimising the impact our customers have during this transition, and work will be undertaken with the new team to take this recommendation forward in the New Year.
Collection Fund	Sept 15	We reviewed the recovery procedures for a sample of 25 cases and considered the latest status of each case. In 8 of the 25 cases we found that there had been delays/no recent action in attempting to recover these debts. After raising this with Officers we note that: 3 Business rates debts totalling £14,770 had seen no action for 6 months & 3 Business rates debts totalling £20,000 and Council Tax debts totalling £1,890 had seen no recover action for 6-8 weeks	Low	Loss of income and increased write-offs if debts are not actively chased through a robust recovery process	Nick Gibb	Nick Gibb	31/12/15		100	All Recovery Officer vacancies except one have been filled and by 31/03/2016 all staff will have been trained & operating on all 3 debt types. Outstanding debts are chased on a monthly cycle through issue of work packages containing all inactive cases. The highest value debts are prioritised each month so if all cases are not actioned the value of unactioned cases is minimised. Pro-active campaigns to target arrears before they get to Court introduced January 2016 and now part of business-as-usual. This should reduce the Recovery Team caseload in the long-term enabling the reduced number of cases o/s to be revisited more often (NG).
Housing Rents	Sept 15	Tenants in arrears are not contacted on a timely basis and reduction in Housing Benefit is not identified	Low	Loss of rental income, or failure to collect on a timely basis. The arrears listing may contain accounts for which the balance may never be recovered, result in the arrears balance being overstated. Tenancy arrears may accumulate to a substantial amount at which point the tenant may struggle to pay off the arrears	Damon Venning	Damon Venning	31/1/16		75	The Incomes Team has made two improvements to assist in contacting tenants quicker. Firstly, invested in Mobysoft that identifies tenants who have changes in circumstances immediately. Secondly, a project plan has been agreed to improve the Rents Escalation Policy on Northgate. Confirmation on when project wil lstart as to be confirmed by ICT.

Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
Housing Benefits	Sept 15	Arrears relating to housing benefit overpayment has risen to £6m at the end of August 2015, an increase of 15% compared to the same time last year. Monthly performance reports are produced which track the arrears position at a high level, these identify which there is no recovery arrangement in place. At 1 Sept 2015 £2.8m of debt had no recovery arrangement in place	Medium	Significant write off of unrecoverable debt. Potential money which is recoverable is not chased resulting in the council not receiving all money that could have been recovered. But there is additional resource incurred in attempting to recover outstanding debts	Debbie White/ Nick Gibb/ Damon Venning	Debbie White/ Nick Gibb/ Damon Venning	31/12/15	31/03/2016	75	We have now completed an analysis of the top 100 (by value) HB overpayments, this has a value of £1.2m. Each debt on this list will now be reviewed to ensure that actions taken already do not need revising and where there has been no action taken that a plan is in place to recover each debt. Staff training has taken place to ensure overpayments are dealt with correctly and underlying entitlement applied. Once the new Enforcement Agency contract is in place any static debts where we feel we have exhausted the recovery process will be passed across to see if they can recover, and at that point if these are returned as uncollectable they will be written off.
Housing Benefits	Sept 15	Random quality checks are performed on a monthly target of 10% of claims processed; checks include if there have been any procedural errors or financial errors. In addition, in accordance with the Performance Management Framework, new starters and those who are on Performance Improvement Plans see up to 100% of their assessments checked after consultation with their Team leader and in accordance with any Performance Improvement plans agreed with the employee. For the four months to date in 15/16 the 10% checking target has not been achieved. Testing ranges from 7.9% to 9.5% of claims per month	Low	Assessors' work may be inaccurate leading to inaccurate benefit claims and hence overpayment or underpayment of benefits	Debbie White	Debbie White	31/12/15		100	We have discussed with both internal and external audit our intention to reduce quality checks to 4%. The Head of Service and Service Manager Revenues and Benefits are to discuss and agree this course of action, subject to a proviso that should trends appear, additional checking will be implemented at that point in time. We have been checking 100% of new starters accuracy and also 100% of overpayments classified as Local Authority error, as well as focussing on earnings as that was an area of concern. For 2016 the focus for the benefits team will be on increasing accuracy levels across all staff. We also insist on any new contractors undertaking 100% check until we are satisfied with the quality of their work.

**To:** Audit and Governance Committee

**Date:** 1<sup>st</sup> March 2016

**Report of:** Head of Financial Services

**Title of Report:** Risk Management Quarterly Reporting: Quarter 3 2015/16

## Summary and Recommendations

**Purpose of report:** To update the Committee on both corporate and service risks as at the end of Quarter 3, 31<sup>st</sup> December 2016.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Efficient and effective Council

**Recommendation(s):** That the Committee notes the contents of this report, in particular that the Housing Revenue Account business plan risk has been separated from the Medium Term Financial Plan risk.

## Appendices:

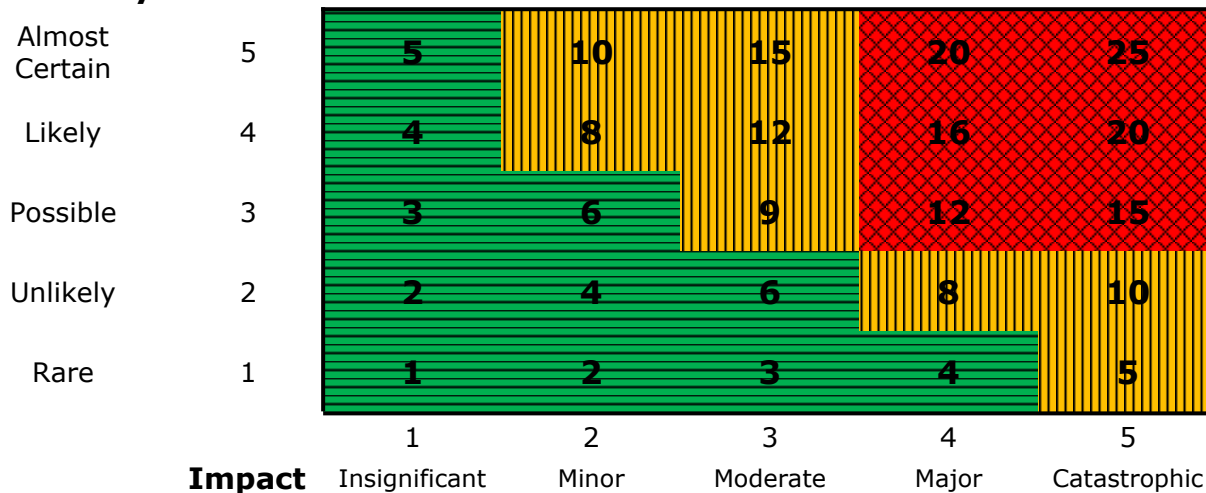
### Appendix A Corporate Risk Register

### Risk Scoring Matrix

1. The Council operates a 'five by five' scoring matrix. The methodology for scoring risks is set out below along with a copy of the scoring matrix or 'heat map'.

- It is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event occurring is high but the impact is low it is likely to have a lower rating on the heat map. However, the higher the potential impact score the more likely the event will be classed as a red risk on the matrix.

### Probability



Key:



### Risk Identification

- 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 at Director level.
- Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager has oversight of all risks and on a quarterly basis will review service risks to determine whether they should be considered for inclusion in the Corporate Risk Register.
- 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. Each project is managed by the Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

### Quarter 3 Corporate Risk Register

- The Corporate Risk Register is attached at Appendix A. The Housing Revenue Account Business Plan risk has been separated from the Medium Term Financial Strategy due to the significantly different risk level. This increases the number of risks being monitored from 6 to 7, however, there is no overall increase in risk to the Council from the level



that was there at Quarter 2. The Housing Revenue Account Business Plan risk is still a red risk as at Quarter 3, although due to the ongoing changes in this area there is even closer monitoring and assessment of this risk than normal. The table below shows the movement of risks over the last 15 months.

<b>Current Risk</b>	<b>Q3 2014/15</b>	<b>Q4 2014/15</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>	<b>Q3 2015/16</b>
Red	0	0	0	1	1
Amber	6	5	4	3	4
Green	5	6	2	2	2
<b>Total risks</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>7</b>

7. There was a full desktop review of all of the corporate risks undertaken by Directors and Heads of Service at the beginning of the year which resulted in the number of risks reducing from 11 to 6.
8. In the short term, to help mitigate the pressure on the Housing Revenue Account Business Plan and enable all options to be considered a temporary moratorium was imposed on all non-essential Capital projects that were not already contractually committed. This moratorium has now been lifted and schemes reprioritised as part of the 2016 – 2020 Medium Term Financial Planning process.

### **Quarter 3 Service Risk Registers**

9. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added. In quarter 1 of 2015/16, the management of Council services was restructured and risks were subsequently moved between services areas and reassessed. These refreshed Service Risk Registers are being used for monitoring purposes for the remainder of the year.
10. The table below shows the number of service risks in Q3 2015/16 compared with the last 15 months. Six risks have been closed since the last quarter and there are three new risks.

<b>Current Risk</b>	<b>Q3 2014/15</b>	<b>Q4 2014/15</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>	<b>Q3 2015/16</b>
Red	0	0	1	4	6
Amber	38	39	32	31	27
Green	39	35	38	29	28
<b>Total risks</b>	<b>77</b>	<b>74</b>	<b>71</b>	<b>64</b>	<b>61</b>
New risks in quarter	0		1	2	3
Closed	0	3	4	9	6

11. There has been a complete reassessment of risks in the Planning and Regulatory service area by the new Head of Service resulting in an increase in the number of red risks in that area. Part of the reason for the increase in risk level is the new local plan commitment which will increase external focus on the service. New control actions have been put in place to mitigate these risks.

12. There were six red risks at the end of December 2015 as follows: -
- Housing and Property – relating to increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptance
  - Housing and Property – relating to HRA Business Plan failure and the implications for social housing arising from the announcements contained in the Chancellor’s Summer Budget in July. Changes have subsequently been made to the HRA Business Plan as part of the Medium Term Financial Planning process to help mitigate the pressures. However, as legislation and regulations are still unclear there is still a significant risk.
  - Planning and Regulatory – relating to delays to Council projects caused by outside agencies including the County Council and national and regional Government and Government agencies
  - Planning and Regulatory – relating to changes in the planning system arising from major changes in legislation
  - Planning and Regulatory – relating to major opposition to emerging statutory plans.
  - Planning and Regulatory – relating to partnership challenges especially in relation to the Oxford Growth Strategy and the inability to reach agreement with external partners.

Service Area Risk Summary

13. The table below shows the how the service area risks have been scored in accordance to the risk matrix. The risk with the potential for a catastrophic impact is related to the loss of an investment due to issues with a counterparty; the likelihood of the risk occurring has been managed down to unlikely.

<b>Current Impact</b>	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
<b>Current Probability</b>					
Almost Certain (5)					
Likely (4)		2	2	2	
Possible (3)		7	18	5	
Unlikely (2)		10	7	4	
Rare (1)	3		1		

**Climate Change / Environmental Impact**

14. There are no issues arising directly from this report

**Equalities impact**

15. There are no equalities impacts arising directly from this report

**Financial Implications**

16. The Robust management of risk should assist in mitigating the financial impact to the Council should the event occur.

**Legal Implications**

17. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

**Name and contact details of author:-**

Name: Bill Lewis

Job title: Financial Accounting Manager

Service Area / Department: Financial Services

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**List of background papers: None.**

**Version number:**

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Formal Risk Summary

(Oxford)

As at: Dec-2015

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Risk						Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
Ref	Title	Risk description	Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-030	HRA Business Plan Delivery failure	Changes to variable factors threatens investment and service performance and medium term financial strategy	T	Government legislative changes with respect to welfare reform, rent policy and sale of high value assets	Significant reduction to rental income threatens the investment programme in existing stock and new Council housing and the level and quality of landlord services	1-Sep-2015	Stephen Clarke	4	3	4	3	4	3		Challenge/lobbying/ technical engagement with DCLG to help shape proposals and implementation. Model implications and produce revised business plan with a revised 4 year investment programme	29-Feb-2016	In Progress	40%	Stephen Clarke
CRR-001-15/16	ICT	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 with the correct level of skill, and some vacant posts within ICT	Inability to provide good quality and consistent service	1-Apr-2015	Helen Bishop	4	4	3	3	2	3	The Council's ICT Work Plan is being reviewed in consultation with all service heads, to ensure that we have an agreed, realistic plan focused on the business' key priorities and which takes account of development time required for business as usual activity. The ICT Strategic Partner migration project is moving from planning to implementation. The migration of all users to a single City domain has been completed. Issues with printers and scanning have been resolved. Detailed migration schedule in place from mid January to the end of February. March being kept as contingency ; Comms plan agreed to keep users informed as their applications migrate. The service desk procurement is complete, a test system will be in place by the end of February, with migration to live scheduled for March. The new structure is complete, and all posts filled apart from the new Operations Manager who starts Jan 25th and out to advert for 3 remaining analyst posts. There are 3 x 3 ITIL courses scheduled so all ICT staff will have completed the course by end of March.	Agree new ICT strategy including principles for ICT projects and investment	1-Jun-2015	In Progress	100%	Paul Fleming
															Managing business as usual and developments as a single programme	31-Mar-2016	In Progress	80%	Helen Bishop
															Objective to embed ITIL processes	31-Mar-2016	In Progress	40%	Paul Fleming
															Objective to multi-skill applications development team	1-Dec-2015	In Progress	60%	Paul Fleming
															Procurement of ICT strategic partner will improve stability of service	31-Mar-2016	In Progress	95%	Helen Bishop
															Procurement of new ICT helpdesk, with potential for customers to self-serve will ensure more efficient management of business as usual incidents	31-Mar-2016	In Progress	75%	Paul Fleming
CRR-002-15/16	Budget and Income	Medium Term Financial Plan savings not delivered and pressures not anticipated or accurately recorded. Income not collected on a timely basis	T	Ongoing Central Government cuts and current savings targets not being consistently met	Inability to produce a balanced budget, or further savings needing to be made in the future	1-Apr-2015	Nigel Kennedy	4	3	4	2	3	2	Annual review of the Medium Term Financial plan to confirm savings are deliverable and pressures recorded	Ensure action plans in place for delivery of savings	18-Feb-2016	In Progress	80%	Nigel Kennedy
															Ensure key stakeholders are kept upto date on progress of plan and monitoring	31-Mar-2016	In Progress	100%	Nigel Kennedy
															Produce accurate, timely monitoring reports	31-Mar-2016	In Progress	100%	Nigel Kennedy
CRR-004-15/16	Partnership Risk	Financial reduction in funding and impact on our partners	T	Reduction of the availability of funding for our partners to maintain their level of activity	reduced work with key partners to provide the Councils services	1-Apr-2015	David Edwards	3	5	3	5	2	4	Working with partners to mitigate impacts, seeking alternative capital funding through Government LGF support	31-Mar-2016	In Progress	30%	David Edwards	
CRR-005-15/16	Recruitment and Retention	The risk of losing good quality staff and the inability to recruit into key posts with good quality staff	T	The inability to attract high calibre staff into key vacancies across the Council.	Key posts are left vacant or filled with temporary resources	1-Apr-2015	Justin Thorne	3	4	3	3	2	2	Agree retention measures & implement them	30-Sep-2015	In Progress	20%	Justin Thorne	
														Deliver recruitment action plan which aims to widen and diversify the pool of potential applicants and increase the chances of appointing the best candidate	3-Jul-2018	In Progress	50%	Justin Thorne	



**To:** Audit & Governance Committee  
**Date:** 01 March 2016  
**Report of:** Head of Financial Services  
**Title of Report:** Investigation Team Performance and Activity Briefing

## Summary and Recommendations

### **Purpose of report:**

1. To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 January 2016

### **Key decision** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan Priority – Efficient & Effective Council

**Recommendation(s):** That the report be noted

## **Appendices**

Appendix 1- Investigation Team Structure chart

Appendix 2 - Protecting the English Public Purse Fraud Briefing 2015

## **Background**

1. Following the introduction of the Single Fraud Investigation Service SFIS, the remit of the Investigation Team has moved away from tackling Housing Benefit fraud to a corporate orientated approach aligned to our services' fraud risks and the priorities identified by the Audit Commission.

The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and partner organisations, and to assist cross border agencies where possible.

## Performance

2. There are three Service Performance Indicators which are used to track performance on a monthly basis. Performance against these targets is shown in the table below.

<b>Table 1 - Investigations Team Performance from 01 April 2015 to 31 January 2016</b>			
<b>Measure</b>	<b>Annual Target</b>	<b>Total to date</b>	<b>Comment</b>
Number of properties returned to housing stock	20	17	95% target achieved. On track to achieve target.
Income raised and payments prevented from non welfare benefit fraud	£200,000	£3,337,162 (£547,109 income recovered & £2,790,053 losses prevented)	1661% of annual target achieved.  See Table 2 for breakdown
Users Satisfied with Investigation Service	95%	100%	*100% satisfaction feedback. (see explanatory note below)

\*41 satisfaction surveys issued on conclusion of interviews under caution. 29 responses, 100% of which are either satisfied or very satisfied with the service.



3. Table 2 below provides an analysis of the income recovered and loss avoided by the Team.

<b>Table 2 – Breakdown of Income &amp; Savings achieved 1 April 2015 to 31 January 2016</b>			
	<b>Income</b>	<b>Loss</b>	
	<b>Generated</b>	<b>Avoidance</b>	<b>Comment</b>
	£	£	
Council Tax Reduction Scheme	62,853	21,053	Achieved through investigation of benefit claims, 51 of which were closed in the period. The loss avoided is based on a standard 32 week entitlement which is the average number of weeks a claim may have continued without intervention
Right to Buy		2,337,000	30 Right To Buy applications withdrawn following intervention / investigation. 30 x £77,900 (max discount)
Council Tax Discount / Exemption adjustments	46,170		In 36 cases, investigation determined that a discount or exemption was awarded incorrectly due to customer misrepresentation
Non Domestic Rates	384,328		9 accounts where investigation work has resulted in the discovery of unregistered business premises and the identification of reductions where no entitlement exists
Properties Recovered		306,000	The cost of keeping a family in temporary accommodation for one year as determined by the Audit Commission - £18,000 per property for each of the 17 social properties recovered
Housing Application		126,000	7 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £18,000 per instance

Administrative Penalty income	423		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 1 case.
Training Course Income	1,511		Through facilitation, sale and delivery of training courses to external customers
Unlawful Profit Order	508		Court order imposed after a social housing investigation resulted in the discovery of an illegal sub-let. 1 case.
Compensation from Proceeds of Crime Investigations	51,316		From capital identified during the course of a criminal investigation, bank accounts frozen and funds confiscated after successful prosecution
<b>Totals</b>	<b>547,109</b>	<b>2,790,053</b>	<b>3,337,162</b>

4. Activity from 1 April to 31 January 2016 included:

- a. 6 cautions administered in respect of Council Tax Reduction Scheme offences
- b. 1 Administrative Penalty offered and accepted in respect of Council Tax Reduction Scheme offences
- c. 12 successful prosecutions relating to Housing Benefit and Council Tax Reduction Scheme cases. Press releases prepared and issued for all prosecutions. Sentences administered include:
  - i. 3 cases with 12 month community orders
  - ii. 2 cases with 18 months custodial sentence suspended for 2 years
  - iii. 1 case with a 2 year custodial sentence
  - iv. 1 case with a 1 year custodial sentence
  - v. 1 case with a 3 month curfew order
  - vi. 1 case with 26 weeks custodial sentence
- d. The team appeared in season one of “Council House Crackdown” in July, a 5 part BBC television documentary detailing the work of Housing Investigators around the country. It was felt that the programme was positive and helped to further raise the profile and awareness of tenancy fraud issues. The programme was considered a success by the television network and season 2 was subsequently commissioned. The team have again taken part in filming and are expected to feature heavily in the next 10 episode season.

## **Department for Communities and Local Government Grant (DCLG) Funding / Fraud Hub**

5. Fraud hub working arrangements have continued to evolve in accordance with the funding award from the DCLG, with significant milestones achieved:
- Business Agreement in place with South Oxfordshire District Council and Vale of White Horse District Council for the provision of corporate investigation services, which has been live since mid-January 2016. In one month of operation, Housing Benefit overpayments of £31,500 have been identified, as well as Council Tax Reduction Scheme overpayments of £7,500. Additionally, 2 Administrative Penalties have been administered to the value of £900.
  - Business Agreement in place with Oxfordshire County Council for the provision of investigation services, which is now live. The team is providing an end to end investigation function which includes receiving and risk assessing referrals, logging, reporting, investigating and taking sanction action where appropriate.
  - New staff appointed to Team Structure on fixed term appointments, made possible with DCLG funding (see Appendix 1):
    - Senior Investigation Officer / Project Manager – 18 months FTC
    - Senior Investigation Officer – 6 months FTC (covering long term absence)
    - Intelligence Officer – 18 month FTC
    - Investigation Officer – 18 month FTC
  - Proactive Blue Badge Enforcement exercise undertaken on behalf of the County Council under the terms of the Business Agreement. 11 badges seized over the course of a 3 day exercise. The badges had either expired or were being misused. Further action against the badge users is now being considered. Positive publicity through press and radio news articles and County Council member support were attached to the exercise.
  - The newly acquired Data Warehouse system is in use at a local level. Proof of concept matching is underway with short, medium and long term plans being developed to provide a robust data matching and risk profiling service for the City Council. The service will also be marketed to the surrounding Districts and to the County Council. An agreement has already been reached with the County Council to supply a Council Tax data matching service from April 2016. Specific business and data sharing agreements are in the process of being finalised.

## **Fraud and Error Reduction Incentive Scheme (FERIS)**

6. The Council were successful in bidding to the Department for Work and Pensions for funds connected the FERIS scheme, which resulted in the appointment of a Visiting Officer to the team for a 12 month period. The officer is involved in conducting risk based visits to Housing Benefit customers to identify potential unreported changes in circumstances.
7. South Oxfordshire and Vale of White Horse District Councils were also successful with their FERIS funding applications, the premise of which was for Oxford City Council Investigation Team to managing and deliver FERIS visiting activity on their behalf. A Business Agreement is in place to cover this area of work.
8. The aim of the FERIS scheme is to reduce the overall level of Housing Benefit spend by identifying errors and unreported changes in customer circumstances. A reduced Housing Benefit spend attracts government subsidy under the scheme when certain thresholds are met. The targets set by the Department for Work and Pensions have widely been considered as too stringent and difficult to achieve. As a result, the FERIS related activity has not achieved subsidy award for either the City Council, or for South and Vale Councils. This outcome is consistent with all other Local Authorities who participated in the scheme.
9. A recent announcement by the DWP has stated that the FERIS scheme will continue for a further 12 months. The targets have been adjusted to allow local authorities a reasonable chance of receiving subsidy through the scheme through further initiatives. Oxford City Council will be submitting bids to secure funding made available through the scheme and will seek to continue to provide a service to South and Vale Councils.

## **Protecting the English Public Purse Fraud Briefing 2015.**

10. TEICCAF (The European Institute for Combatting Corruption and Fraud), is a newly formed not for profit pan European public, private and voluntary sector forum. Part of the services offered by the organisation include conducting fraud and corruption surveys to replace the void left by the abolition of the Audit Commission, and its "Protecting the Public Purse" reports.
11. The team participated in the survey in the first quarter of 2015/16, the results of which were included in the summer 2015 publication, "Protecting the English Public Purse 2015", which summarised the responses from all local authority fraud teams who took part. TEICCAF have recently provided a Fraud Briefing for Oxford City Council as an additional to the main survey results. The briefing shows activity comparisons with other district councils across the south of England that took part in the voluntary survey. The Fraud Briefing is included at **Appendix 2**.

12. The Fraud Briefing identifies Oxford City Council as one of the top performing authorities for tackling fraud and corruption. It relates to the final year when the team had responsibility for investigating Housing Benefit fraud. Since the transfer of this function to the Single Fraud Investigation Service in February 2015, the focus of the team has shifted significantly to tackling fraud in other service areas and providing services to external partners. It is anticipated that Oxford will rank highly in the 2016 survey.

### **Legal Issues**

13. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.
14. All data sharing both internally and externally is covered by Data Sharing Protocols and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the provisions of section 29 of the Data Protection Act 1998.
15. Business Agreements devised for joint working with other organisations have been reviewed and approved by Legal Services.

### **Financial Issues**

16. The budgeted net cost of the team excluding income from the Housing Revenue Account is £220,370 for 2015/16 and the team are charged with identifying error and loss to recover these costs as an indication of value for money. The Team has identified cashable income of £547,109 and has prevented losses of £2,790,053. It is expected that by the end of the financial year, the team will have generated income of over £600,000 and made savings of over £3,000,000.

### **Environmental Impact**

17. The majority of visits undertaken by staff in the Team are done using the Council pool vehicles. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible.

### **Level of Risk**

18. The risk of fraud both from within the Council's business and impacting on the Council's business may be significant. The maintaining of a fraud investigation resource acts as a deterrent to fraudulent activity and the saving; both cashable and non-cashable has more than offset the cost of running the Investigating Team.

**Name and contact details of author:-**

Scott Warner

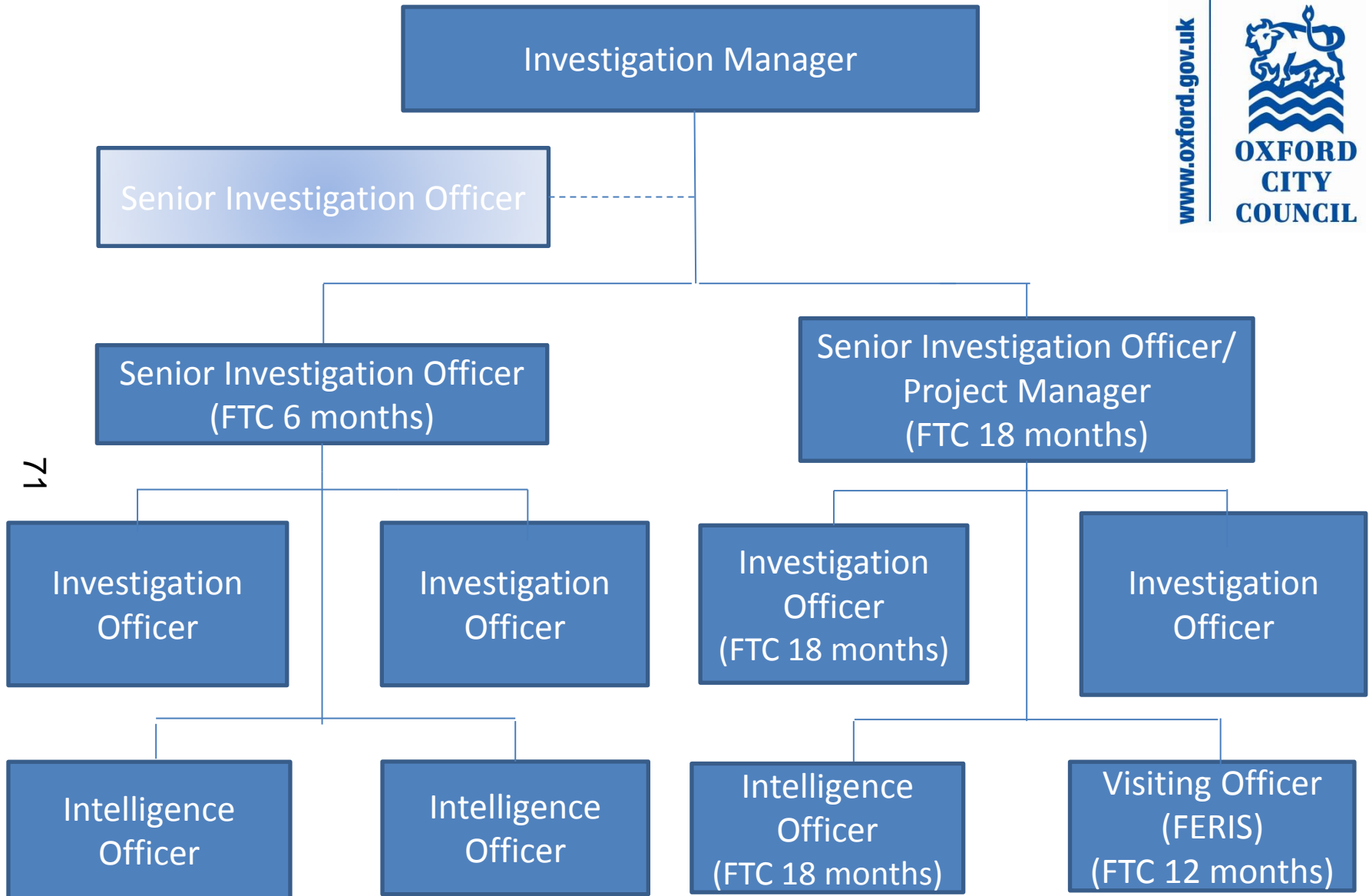
Investigations Manager

Financial Services / Corporate Investigation Team

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# Oxford City Council Corporate Investigation Team Structure

[www.oxford.gov.uk](http://www.oxford.gov.uk)



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# Protecting the English Public Purse Fraud Briefing 2015

## Oxford City Council

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# Purpose of Fraud Briefing

1. Provide an information source to support councillors in considering their council's fraud detection activities
2. Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities
3. Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed
4. Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

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# About TEICCAF

## *The European Institute for Combatting Corruption And Fraud*

Not for profit charity seeking to provide counter fraud and corruption strategic vision and thought leadership for public sector and charity organisations

Staffed by the former Audit Commission Counter Fraud Team

Continuation of expertise on the fraud risks facing councils

Continuation of the award winning '*Protecting the Public Purse*' reports

Working collaboratively with public sector bodies, charities and private companies across the UK, Europe and around the World

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# Understanding the bar charts

All data are drawn from council submissions for the TEICCAF annual fraud and corruption survey for 2014/15

Your council is compared with the other district councils across the south of England taking part in the voluntary survey

*National district council submission rate: 59.7%*

*English councils surveyed submission rate: 59.5%*

*(County councils, district councils, metropolitan districts & unitary authorities and London boroughs)*

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**Your council for detected cases is shown in Yellow**

**Your council for detected value is shown in Red**

All averages are 'mean' averages

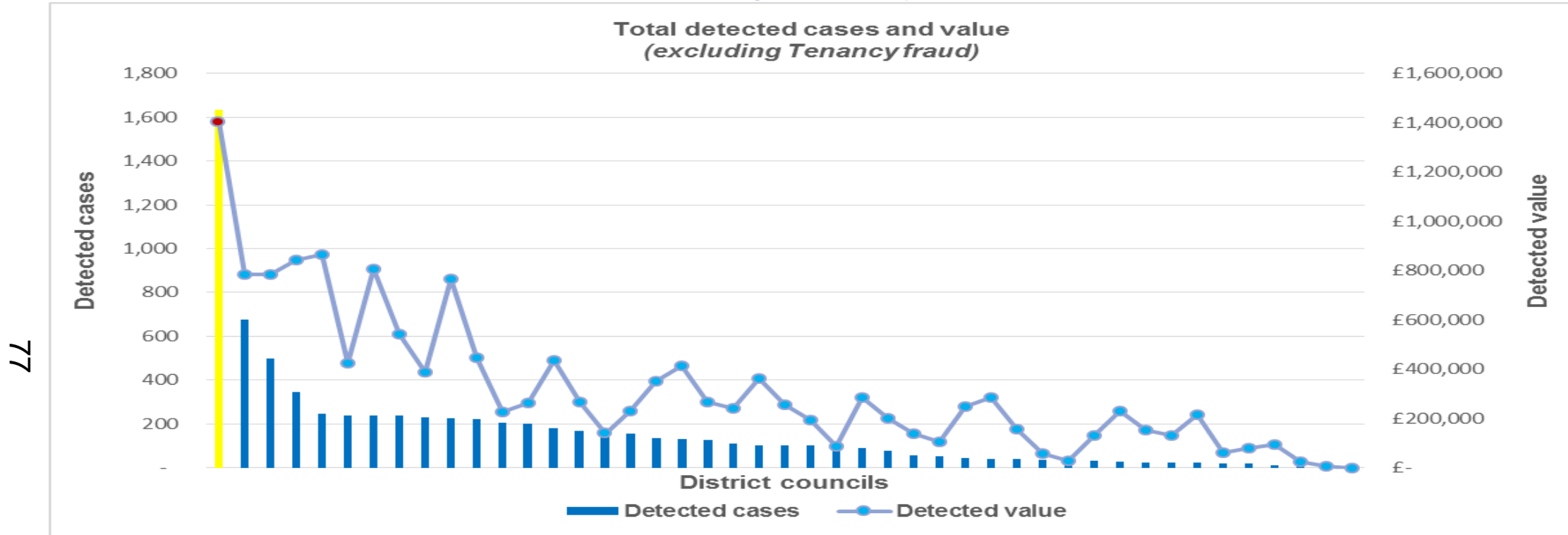
In some cases, council report they have detected fraud and do not report the number of cases and/or the value - for the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil

*NB it is always best practice to ensure counter fraud activity is accurately and comprehensively recorded, particularly for assessing fraud risk*

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# Total detected cases and value

(excluding tenancy fraud)



**Your council - Total number of detected cases: 1,633. Total detected value: £ 1,403,859.**

**Comparator council average – Detected cases: 135. Detected value: £265,912.**

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# Housing benefit (HB) and council tax benefit (CTB)

The investigation of benefit fraud is transferring from councils to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

Some councils have already transferred their benefit fraud investigators to SFIS, the remaining councils should have done so by March 2016

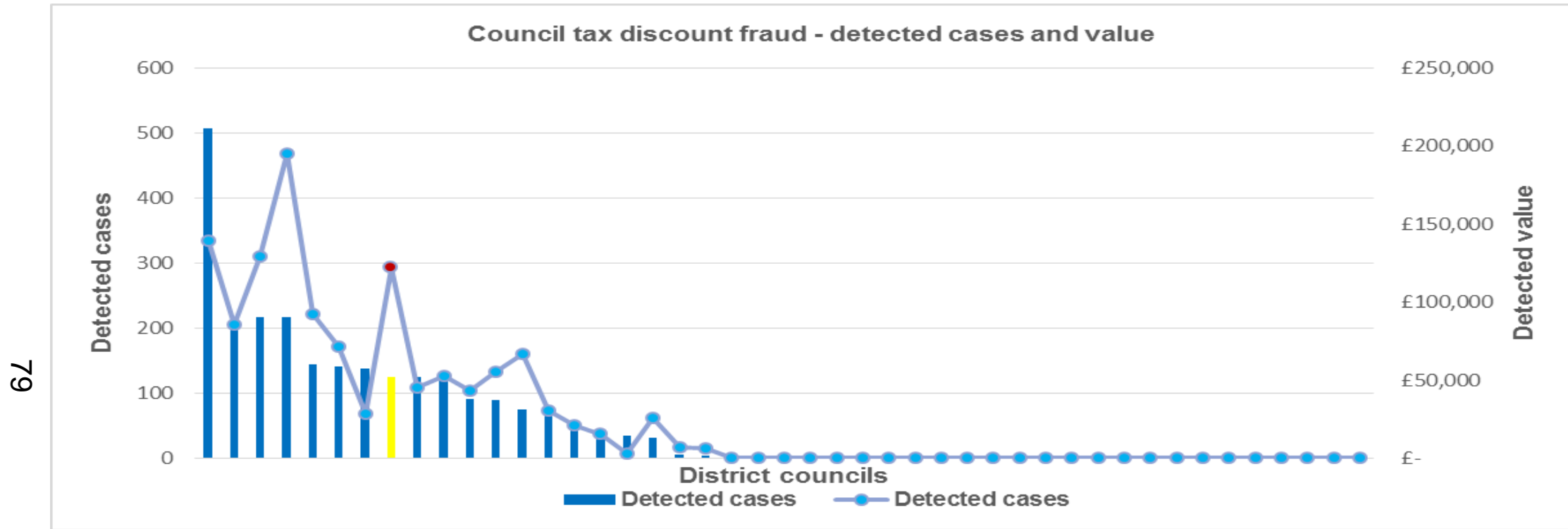
87 This makes the comparison of HB/CTB of little value, as some council did not investigate HB/CTB in 2014/15, or others only a part of the year

However, you may wish to ask:

- Does my council have enough counter fraud resource to tackle non-benefit fraud post SFIS?
- Does my council's counter fraud resource have the skill sets to tackle the wide and varied range of non-benefit frauds?
- Is there a partnership working arrangement available that helps provide a counter fraud resource and value for money?

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# Council tax discount fraud



**Your council - Total number of detected cases: 124. Total detected value: £121,900.**

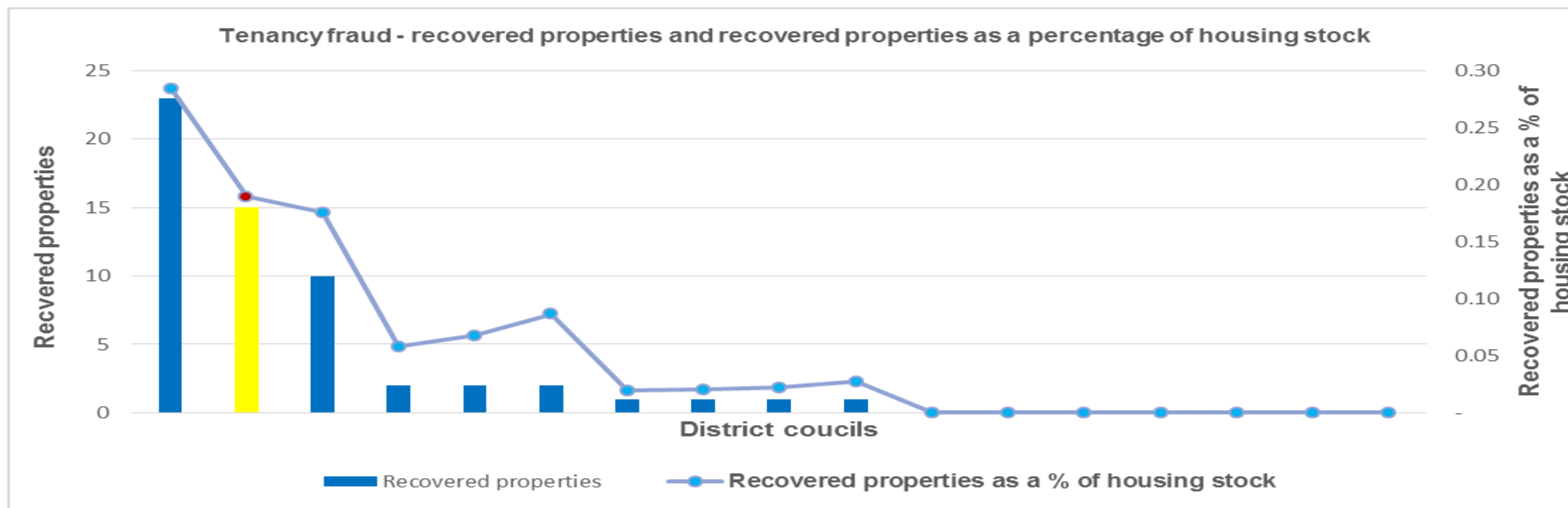
**Comparator council average – Detected cases: 57. Detected value: £27,443.**

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# Tenancy fraud

*(only councils with housing stock)*

08



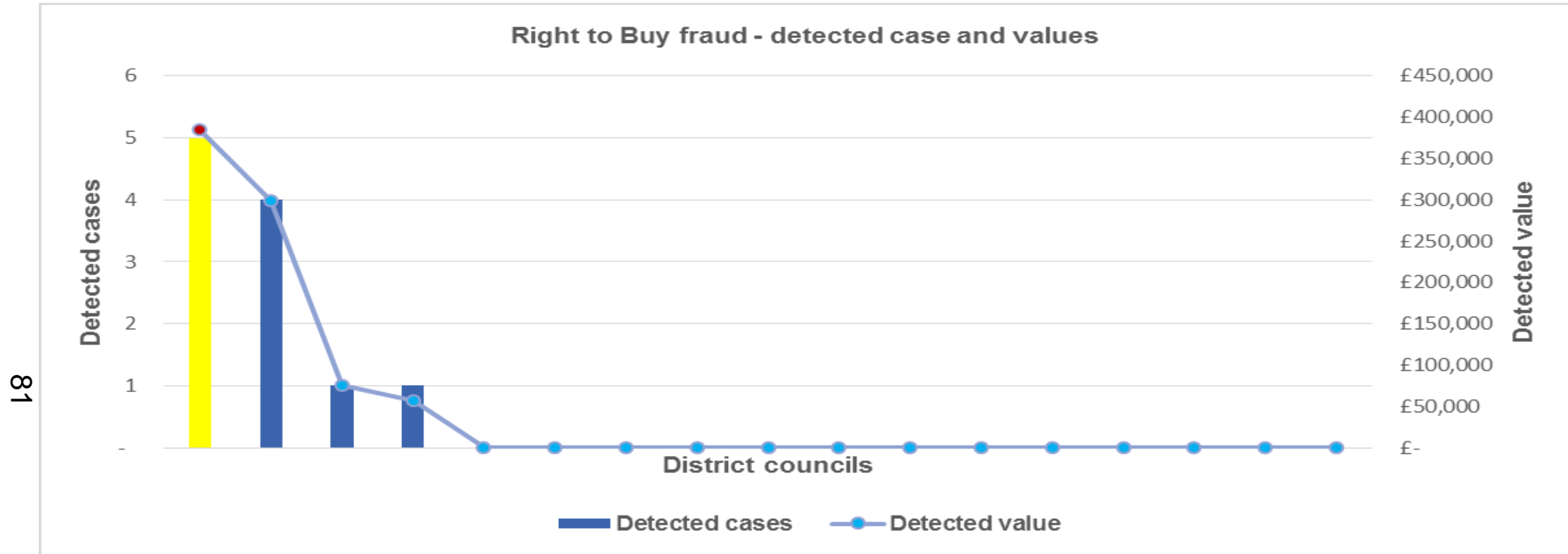
**Your council - Total number of recovered properties: 15**

**Comparator council average – Recovered properties: 3**

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# Right to Buy fraud



**Your council - Total number of detected cases: 5.**

**Comparator council average – Detected cases: 1. Detected value: £48,022.**

# Other frauds

## Procurement fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £131.

## No recourse to public funds fraud

Your council - Total number of detected cases: 1. Detected value: £32,550

Comparator council average – Detected cases: 1. Detected value: £723.

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## Business rates

Your council - Total number of detected cases: 6. Detected value: £136,871

Comparator council average – Detected cases: 1. Detected value: £5,228.

## Internal fraud

Your council - Total number of detected cases: 2. Detected value: £99,050

Comparator council average – Detected cases: 1. Detected value: £2,953

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# Further information and support

The 'Protecting the English Public Purse 2015' (PEPP) report and the 'Protecting the London Public Purse 2015' (PLPP) report are available at [www.teiccaf.com](http://www.teiccaf.com)

These reports also contain a counter fraud checklist for councils to use – questions you may wish to ask:

- Are local priorities reflected in our approach to countering fraud?
- Have we considered counter-fraud partnership working?
- Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?



If you have any questions concerning:

- this fraud briefing;
- TEICCAF; or
- how TEICCAF can support you in counter fraud, counter corruption and anti-money laundering?

Please contact Duncan Warmington, Secretary to the Board at [duncanw@teiccaf.com](mailto:duncanw@teiccaf.com)

TEICCAF, and our sponsor, 'INTEC for business', hope you found this fraud briefing useful and encourage your council to participate in the 2015/16 TEICCAF annual fraud and corruption survey

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**To:** Audit and Corporate Governance Committee  
**Date:** 1 March 2016  
**Report of:** Head of Law and Governance  
**Title of Report:** Officer Executive Decisions published between 1 May 2015 and 20 February 2016

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To inform the committee of the Officer Executive Decisions taken in this municipal year.
<b>Corporate Priority:</b>	None.
<b>Policy Framework:</b>	None
<b>Recommendation: That the Committee note the report and the decisions taken.</b>	

<b>Appendices</b>	
Appendix 1	Officer Executive Decisions published 1 May 2015 to 20 February 2016

## **Introduction and background**

1. At the meeting in December 2015, the Committee asked for a list of officer executive decisions taken to be included in the agenda.
2. If an officer executive decision is a key decision; notice that it will be taken is included in the Council's forward plan, available on the website.
3. When Committee Services are notified that an officer executive decision has been taken, this is published separately on the Council's website and notification is sent by email to all councillors.
4. The Constitution sets out the scheme of delegation to the Board and to officers.

## **Decisions taken**

5. Appendix 1 lists the decisions taken showing the date from which the decision was effective.

## **Implications**

6. There are no financial, legal or other implications in this report.

<b>Report author</b>	Jennifer Thompson
Job title	Committee and Members Services Officer
Service area or department	Law and Governance
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e-mail	<a href="mailto:jthompson@oxford.gov.uk">jthompson@oxford.gov.uk</a>

**Background Papers:** None

**Appendix 1 – Officer Executive Decisions published between 1 May 2015 and 20 February 2016**

<b>12 May 2015</b>	<b>APPROVAL TO PLACE A BUILDING CONTRACT TO PAINT THE TOWN HALL CEILING</b>	
The approval of works to paint the town hall ceiling for the sum of £158,455 including 10% contingency.		
<b>Decision taker</b>	Executive Director for Regeneration and Housing	
<b>Is this a Key Decision?</b>	No	
<b>Reason for decision</b>	The redecoration works on the main hall at Oxford Town Hall are about to commence. The contract has been setup and approved for the sum of £144,050 plus £14,405 contingency (10%).  Any unforeseen works which may arise will be closely managed by the Council's Contract Manager.	
<b>Alternative options considered:</b>	No other options were considered. The selection of the successful contractor was made after a full tender and evaluation process in line with OCC procedures	
<b>Wards affected</b>	Carfax	

<b>9 July 2015</b>	<b>SALE OF LAND TO THE REAR OF 165 WALTON STREET</b>	
<b>Decision taker</b>	Head of Housing and Property	
<b>Is this a Key Decision?</b>	No	
<b>Reason for decision</b>	Surplus to requirements	
<b>Alternative options considered:</b>	Not to sell the land.	
<b>Wards affected</b>	Carfax	
<b>Declared conflict of interest:</b>	None	

<b>2 October 2015</b>	<b>AWARD OF DRY RECYCLATE DISPOSAL CONTRACT</b>	
<b>Decision taker</b>	Executive Director for Community Services	
<b>Is this a Key Decision?</b>	Yes	
<b>Reason for decision</b>	The existing contractual arrangement ended on 5 October 2015. The background to this decision was set out in the report presented at CEB Meeting 10 September 2015.	
<b>Alternative options considered:</b>	Contract subject to a full OJEU open tender procurement process.	
<b>Wards affected</b>	All Wards	
<b>Declared conflict of interest:</b>	None	

<b>27 October 2015</b>	<b>AUTHORISATION TO USE A LIQUID FUEL CONTRACT</b>	
To purchase fuel for Council vehicles and plant via a 1 year Contract, let by Eastern Shires Purchasing Organisation (ESPO).		
<b>Decision taker</b>	Executive Director for Community Services	
<b>Is this a Key Decision?</b>	No	
<b>Reason for decision</b>	The Eastern Shires Purchasing Organisation (ESPO) has let a 1 year contract via a mini-competition, to bridge the gap between the next framework agreement required. The council was named on this mini competition and the procurement team are satisfied that it is fully compliant with procurement legislation and provides the best value for money for the Council.	
<b>Alternative options considered:</b>	To purchase fuel via other commercial avenues. These were rejected as they did not adhere to procurement legislation nor offer the Council best value for money.	
<b>Wards affected</b>	All Wards	
<b>Declared conflict of interest:</b>	None	



<b>25 November 2015</b>	<b>NORTHWAY AND MARSTON FLOOD ALLEVIATION SCHEME PROJECT</b>
Awarding the design services contract for the Northway and Marston Flood Alleviation Scheme	
<b>Decision taker</b>	Executive Director for Community Services
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	<p>The Northway and Marston Flood Alleviation Scheme is a project being undertaken by Oxford City Council to reduce the risk of flash flooding in the residential areas around Northway Community Field and Court Place Farm recreation area in the East of Oxford.</p> <p>As a result of the measures installed by this project, all 110 properties will received a benefit of reduced flood risk with 91 properties being completely removed from the risk of flooding.</p> <p>This project was granted project approval at CEB on 12th November 2015.</p> <p>The agreed procurement strategy that was taken for design services is as follows:-</p> <p>Atkins Ltd. be appointed as a direct award via Lot 16 of the Crown Commercial Services framework RM830 (Environment &amp; Sustainability Advice Support &amp; Delivery Services).</p> <p>The procurement strategy for design services for the project was signed off in September by the capital sub group and the board as part of Gateway 2.</p> <p>The CAMAC board has reviewed our procurement process and recommendation to appoint and granted gateway 3 approval on 13/11/15.</p>
<b>Alternative options considered:</b>	Not to award a design services contract for the Northway and Marston Flood Alleviation Scheme
<b>Wards affected</b>	
<b>Declared conflict of interest:</b>	None

<b>4 December 2015</b>	<b>LOWERING THE CITY FLAG ON THE TOWN HALL TO HALF-MAST ON THE 10 DECEMBER 2015</b>
To lower the City flag to half-mast on the 10 December 2015	
<b>Decision taker</b>	Leader of the Council/Board Member for Corporate Strategy and Economic Development
<b>Is this a Key Decision?</b>	No
<b>Reason for decision</b>	<p>As a mark of respect to lower the City Flag on the day of the funeral of a member of staff who died in tragic circumstances.</p> <p>The Leader of the Council has agreed to this in response to a request from staff.</p> <p>This is an executive responsibility delegated to the Monitoring Officer in consultation with a Panel of Members. On this occasion the Leader of the Council revoked this delegation and decided to make the decision himself rather than refer it to the City Executive Board.</p>
<b>Alternative options considered:</b>	Not to lower the flag.
<b>Wards affected</b>	None
<b>Declared conflict of interest:</b>	None

<b>11 December 2015</b>	<b>HOMELESSNESS PROPERTY INVESTMENT</b>
To enter into agreements to invest £5m in the National Homelessness Property Fund.	
<b>Decision taker</b>	Head of Housing and Property
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	A proposal for the Council to invest in a dedicated property fund in order to lever in additional funding to that provided by the Council, to procure accommodation that can be used to house homeless households in the private rented sector was approved by CEB in July 2015 and Council in September 2015.
<b>Alternative options considered:</b>	After the CEB and Council decision only the NHPF was being considered
<b>Wards affected</b>	All
<b>Declared conflict of interest:</b>	None

<b>31 December 2015 (effective 29 July 2015)</b>	<b>TOWER BLOCKS REFURBISHMENT PROJECT - LETTING OF CONTRACT AND APPOINTMENT OF CONTRACTOR</b>
Selection of the preferred contractor for the refurbishment of the five high rise residential tower blocks located across Oxford following a competitive tender process. The contractor's appointment constitutes an expenditure of £18,157,804 within an approved budget of £20,108,000.	
<b>Decision taker</b>	Executive Director for Regeneration and Housing
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	To select a preferred contractor to enable Leaseholder consultation and on the basis of no challenges, undertake works.
<b>Alternative options considered:</b>	Alternative options included not selecting the proposed contractor and not undertaking the works. The first option was rejected as the selection process was found to be robust and fair. The second option was rejected as works are necessary to maintain the property stock.
<b>Wards affected</b>	Blackbird Leys; Churchill; Cowley; Headington Hill and Northway;
<b>Declared conflict of interest:</b>	None

<b>4 January 2016</b>	<b>OCC EQUITY LOANS SCHEME: DEFINING ELIGIBILITY CRITERIA AND OPENING THE SCHEME TO SECONDARY SCHOOLS (£600,000).</b>
Approval was given to:	
<ol style="list-style-type: none"> <li>1. revised eligibility criteria to include teachers in eligible schools with a minimum of 2 years experience and who have been in permanent employment for 12 months in their current school; and</li> <li>2. extend the scheme to secondary schools serving deprived communities in the City.</li> </ol>	
<b>Decision taker</b>	Executive Director for Regeneration and Housing
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	CEB in July 2013 delegated operational matters to officers. The decision was needed to improve the operation of the scheme by setting up practical eligibility measures linked to the scheme objective of supporting leadership in schools in deprived communities in the City: in this case, teachers who have had additional teaching responsibility and demonstrated a

	<p>commitment to develop their careers in Oxford.</p> <p>Secondary schools serving these communities have experienced the same high levels of staff turnover which undermines the drive to improve standards. Extending the scheme is line with the Council's scheme objective.</p>
<b>Alternative options considered:</b>	None
<b>Wards affected</b>	All
<b>Declared conflict of interest:</b>	None

<b>1 February 2016</b>	<b>CITY CENTRE PUBLIC SPACES PROTECTION ORDER (PSPO)</b>
<p>The implementation of a Public Space Protection Order to effectively deal with a number of City Centre related activities of a few people that affects the general public's freedom to use the City centre freely and safely.</p>	
<b>Decision taker</b>	Executive Director for Community Services
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	<p>In October 2015 the City Executive Board agreed to make a Public Spaces Protection Order under S 59 of the Anti-Social Behaviour, Crime and Policing Act 2014 9 'the Act') on the terms set out at Appendix One, for the area of the city centre defined on a the map within the order for the duration of three years from a date to be determined by the Executive Director Community Services by reference to the installation of adequate public signage and statutory notifications in accordance with the Act.</p> <p>The PSPO places restrictions on certain behaviours listed in the order from 1 February 2016 for a maximum of three years, unless amended, extended or removed.</p>
<b>Alternative options considered:</b>	
<b>Wards affected</b>	Carfax; Hinksey Park; Holywell; Jericho and Osney; North;
<b>Declared conflict of interest:</b>	None

<b>1 February 2016</b>	<b>NORTHWAY AND MARSTON FLOOD ALLEVIATION SCHEME PROJECT - TO ENTER INTO THE FUNDING AGREEMENT WITH OXLEP FOR LOCAL GROWTH FUND 1 GRANT ALLOCATION (£600,000).</b>
<p>To enter into the funding agreement enabling Oxford City Council to draw down the £600,000 allocated to them from the OxLEP Local Growth Fund 1 fund.</p> <p>The funding agreement will be listed on our contracts register and accessible via this link once signed:-  <a href="https://www.oxford.gov.uk/downloads/file/405/contracts_register">https://www.oxford.gov.uk/downloads/file/405/contracts_register</a></p> <p>Note: Oxfordshire County Council acting as the Accountable Body.</p> <p>Authority was delegated to Executive Director- Community Services at the CEB meeting held 12 November 2015 to be able to enter into any necessary funding agreements to secure the external funding for the scheme.</p> <p>The funding will enable Oxford City Council to deliver a flood alleviation project in the East of Oxford which will reduce the flood risk to 110 properties with 91 properties being completely removed from the known risk of flooding.</p> <p>Purpose:</p> <ul style="list-style-type: none"> <li>· To update Members on the Northway and Marston Flood Alleviation Scheme</li> <li>· To request CEB to agree delegated authority to Executive Director Community Services, in consultation with the Section 151 and Monitoring Officers, to be able to appoint and award to preferred principal contractor</li> <li>· To request Council approval to the revised project budget</li> </ul>	
<b>Decision taker</b>	Executive Director for Community Services
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	See earlier decision
<b>Alternative options considered:</b>	
<b>Wards affected</b>	
<b>Declared conflict of interest:</b>	None

<b>17 February 2016</b>	<b>ALLOCATION OF £20,000 FROM THE ADVICE &amp; MONEY MANAGEMENT COMMISSIONING THEME.</b>
<p>This decision involved the allocation of an unspent £20,000 from the Advice &amp; Money Management commissioning theme. It was allocated as follows:</p> <ul style="list-style-type: none"> <li>· Oxfordshire Credit Union - £12,500</li> <li>· Archway - £2,500</li> <li>· Community Emergency Foodbank - £2,500</li> <li>· Oxford Community Soup Kitchen - £2,500</li> </ul>	
<b>Decision taker</b>	Executive Director for Organisational Development and Corporate Services
<b>Is this a Key Decision?</b>	Yes
<b>Reason for decision</b>	<p>Decision taken by the Executive Director of Organisational Development &amp; Corporate Services in consultation with the Board Members for Customer and Corporate Services and Culture and Communities.</p> <p>Delegation was given by CEB on 12 February 2015. The decision was made to ensure that funding went to organisations that best supported the aims of the Council's Financial Inclusion Strategy.</p>
<b>Alternative options considered:</b>	<p>Consideration was given to funding other organisations already funded through other Council grant programs. The organisations who have received funding are those who best supported the objectives of the Council's Financial Inclusion Strategy.</p>
<b>Wards affected</b>	
<b>Declared conflict of interest:</b>	None

## MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Wednesday 16 December 2015

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

**OFFICERS PRESENT:** Nigel Kennedy (Head of Financial Services), Jeremy Thomas (Head of Law and Governance), Jennifer Thompson (Committee and Members Services Officer), Damon Venning (Rents Team Manager), Anna Winship (Management Accountancy Manager), Caroline Wood (Contracts and Procurement Manager), Gurpreet Dulay (Manager, BDO), Greg Rubins (Partner, BDO), David Guest (Ernst & Young) and Alan Witty (Ernst & Young)

### 28. APOLOGIES FOR ABSENCE

Councillor Thomas submitted apologies.

### 29. DECLARATIONS OF INTEREST

There were no declarations.

### 30. SETTING OF THE COUNCIL TAX BASE 2016-2017

The Committee considered the report of the Head of Financial Services setting out the "Council Tax Base" for 2016/17 as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

The Committee noted the increase in Band D equivalent properties and the numbers of exempt properties.

#### The Committee resolved:

- a) that the 2016/17 Council Tax Base for the City Council's area as a whole is set at 43,665.1 (as shown in Appendix 1)
- b) that the projected level of collection is set at 98%
- c) that the tax bases for the Parishes, and for the Unparished Area of the City (as shown in Appendix 2) be set as follows:

Unparished Area of the City	36,468.2
Littlemore Parish	1,730.4
Old Marston Parish	1,269.1
Risinghurst & Sandhills Parish	1,418.6
Blackbird Leys Parish	2,778.8
<b>City Council Total</b>	<b>43,665.1</b>

### **31. EXTERNAL AUDIT PROGRESS REPORT 2015/16 DECEMBER UPDATE**

The Committee considered the report of the Council's external auditors, Ernst & Young, providing an overview of the stage reached in the 2015/16 audit and ensure the audit is aligned with the Committee's expectations.

Alan Witty introduced David Guest, a member of the Council's new audit team.

The Committee agreed to note the report.

### **32. ANNUAL AUDIT LETTER FOR YEAR END 31 MARCH 2015**

The Committee considered the Annual Audit letter for the year end 31 March 2015 presented by the Council's external auditors, Ernst & Young.

Alan Witty said that the housing benefit audit was complete and would be reported at the March meeting.

The Committee agreed to note the report.

### **33. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The Committee considered the Local Government Audit Committee briefing presented by the Council's external auditors, Ernst & Young.

Nigel Kennedy said that the budget report being presented to the City Executive Board on 17 December included details of the severe impact of the changes in the right-to-buy legislation for the Council. The Council had responded to the government consultation on changes to council tax recovery methods. Improvements to the Council's powers would help our collection rates.

The Committee agreed to note the report.

### **34. INTERNAL AUDIT PROGRESS REPORT HALF YEAR SUMMARY**

The Committee considered the Half Year Summary report of the Council's previous internal auditors PriceWaterhouseCoopers setting out the work carried out in accordance with the approved 2015/16 internal audit plan.

Nigel Kennedy presented the report and said all the recommendations were included in the Audit Tracker (at Minute 38). This report would be taken into account in preparing the annual report for 2015/16.

The Committee agreed to note the report.



### **35. BDO INTERNAL AUDIT PROGRESS REPORT, QUARTER 3 2015/16**

The Committee considered the report of the Council's internal auditors, BDO setting out the work carried out in accordance with the approved 2015/16 internal audit plan in Quarter 3.

The Committee asked about the benefits of implementing the Sigma system. The Committee asked about the capitalisation threshold (part of the Statement of Accounts) and officers confirmed this was due for review.

The Committee agreed to note the report and that the recommendations were now included in the Audit Tracker.

### **36. BDO INTERNAL AUDIT: ACCOUNTS PAYABLE REPORT**

The Committee considered the report of the Council's internal auditors BDO on their audit of Accounts Payable.

Gurpreet Dulay introduced the report and highlighted the areas for improvement.

Caroline Wood, Strategic Payments and Procurement Manager, explained the action plan and proposed timescales to implement the recommendations.

Councillor Coulter suggested that APSE (Association for Public Service Excellence) may have information on how other authorities managed the accounts payable in their equivalents of Direct Services.

The Committee agreed to note the report.

### **37. BDO INTERNAL AUDIT: ACCOUNTS RECEIVABLE REPORT**

The Committee considered the report of the Council's internal auditors BDO on their audit of Accounts Receivable.

Gurpreet Dulay introduced the report and highlighted the areas for improvement.

Damon Venning, Rents Team Manager, explained the action plan and confirmed the timescales to implement the recommendations would be met.

The Committee agreed to note the report.

### **38. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 2 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 explained that BDO would provide the follow-up to recommendations in their reports. This tracker contained all outstanding recommendations from PWC's audits and would be maintained until these were implemented. Recommendations on housing rents and collection fund would be completed by March; the housing allocations recommendations requiring IT changes is included in the IT work programme but not complete.

The Committee agreed to note progress with the recommendations listed in Appendix A.

### **39. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 2 2015/16**

The Committee considered the report of the Head of Financial Services setting out both corporate and service risks as at the end of Quarter 2, 30 September 2015.

Nigel Kennedy outlined the changes to risks as a result of the government's budget and autumn statement. The catastrophic risk, shown in the service risk register summary, related to the treasury management service because of the significant risk if there was a failure of controls or investments, but this is mitigated well. He agreed to provide a list of all amber service risks for the next meeting.

The Committee agreed to note the contents of this report, in particular the new Corporate Risk around the Medium Term Financial Plan, and the impact the July Budget Statement has had on this, as set out in paragraphs 8 and 9.

### **40. MINUTES OF THE PREVIOUS MEETING**

The Committee agreed to approve the minutes of the meeting held on 23 September 2015 as a true and accurate record.

The Committee asked for a list of officer executive decisions to be included in future agendas.

### **41. DATES AND TIMES OF MEETINGS**

The Committee noted the date and time of the next meeting.

**The meeting started at 6.00 pm and ended at 7.15 pm**