

Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 14 December 2016

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Committee members:

Councillor Fry (Chair)

Councillor Munkonge (Vice-Chair)

Councillor Coulter

Councillor Fooks

Councillor Paule

Councillor Simmons (for Councillor Thomas)

Councillor Tidball

Officers:

Nigel Kennedy, Head of Financial Services

Anna Winship, Management Accountancy Manager

Jackie Yates, Executive Director Organisational Development and Corporate Services

Lindsay Cane, Acting Head of Law and Governance

Jennifer Thompson, Committee and Members Services Officer

Helen Bishop, Head of Business Improvement

Vic Frewin, Interim Head of IT

Neil Markham, Incomes Team Leader

Katie Ball, Income Manager

Also present:

Gurpreet Dulay, Manager, BDO Internal audit

Greg Rubins, Partner, BDO internal audit

David Guest, Ernst & Young external audit

Councillor Susan Brown, Board member for Customer and Corporate Services

Apologies:

Councillor(s) Thomas sent apologies. His appointed substitute is shown in the attendance.

32. Declarations of Interest

There were no declarations of interest.

33. Minutes of the previous meeting

The Committee resolved to **approve** the minutes of the meeting held on 28 September 2016 as a true and accurate record.

34. Review of the ICT service transition project in April 2016

The Interim Head of IT, the Head of Business Improvement, and the Board Member for Customer and Corporate Services presented the report on the progress of the ICT Improvement Plan, as requested by the Committee at its meeting in September.

In discussion the Committee noted the following points:

1. The focus currently was on increasing the technical and customer service skills of the operations team. A number of actions had been added to the action plan to reflect this and other changes to the priorities. Deadlines had been revised or amended to make these more achievable. The plan was under continual review to make sure it maintains its relevance: all actions were now in progress with a new delivery date where appropriate.
2. The council had appointed a new operations manager and a new service desk manager to replace staff who had recently left. Interim appointments were used to facilitate the one-off transformational work and to fill time-critical posts; permanent staff would be appointed to a revised staffing structure at the end of the reorganisation.
3. The operations team had been reorganised into smaller specialist teams.
4. Technical solutions such as better data analytics and upgrades to the case logging system (vFire) to allow more efficient and timely case handling were being put in place.
5. The setting of the performance framework was on hold pending completing testing of systems to allocate and manage cases as currently there was not enough information to differentiate between the different types of case. Once the case management and alerts system was working effectively the framework would be set.
6. Costs including extensions to contractors' contracts were contained within budget using funds from staff vacancies.

The Interim Head of IT agreed to circulate the updated improvement plan to the committee with new completion dates and progress.

The Committee agreed to note the report and the progress made.

35. Setting of the Council Tax Base 2017/18

The Committee considered the report of the Head of Financial Services asking them to agree the numbers required to set the "Council Tax Base" for 2017/18 as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations.

The Committee noted the changes to the council tax base and the impact of discounts. With over 18,000 out of 61,000 houses claiming single person discounts, the council lost a significant portion of its potential tax base. They noted that recipients of discounts and reductions were required to confirm their eligibility annually and the investigations team pro-actively checked on empty houses as well as business properties not on the rating list or claiming charitable or empty property exemptions.

The Committee asked for a report setting out:

- of the letters sent out to check eligibility, how many were returned with information leading to an increase in council tax due;
- information on numbers of houses in each tax band and with/ without discounts to show how actual households translate into the 'band D equivalent'.

The Committee resolved:

- a) that the 2017/18 Council Tax Base for the City Council's area as a whole is set at 44,623.4 (as shown in Appendix 1 of the report)
- 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 of the report) be set as follows:

Unparished Area of the City	37,300.3
Littlemore Parish	1,754.0
Old Marston Parish	1,269.1
Risinghurst & Sandhills Parish	1,444.1
Blackbird Leys Parish	2,855.9
City Council Total	44,623.4

36. Internal Audit: progress report to December 2016

The Committee discussed the report from the Council's internal auditor, BDO, setting out the progress made against the 2016/17 internal audit plans.

Greg Rubins, BDO, presented the report. He said that the majority of the 2016/17 scheduled audits were complete and the findings included in the report. The 2016/17 audit plan should be completed as scheduled.

The Committee noted the findings and recommendations for the three reports issued with moderate or better opinions and the one advisory report.

The Committee asked for a report from the Head of Service on the building control service's market share, marketing, competition, analysis of why tenders were won or lost, and business planning to review options for increasing the service's market share. They suggested the Finance Panel may wish to review this in more detail.

The Committee noted the report.

37. Internal Audit: follow up of recommendations to December 2016

The Committee considered the report of the Council's internal auditors, BDO, setting out progress on implementing the recommendations arising from the completed internal audit reviews.

Greg Rubins, BDO, presented the report.

The Committee commented that recommendations needed to have a realistic timetable for completion, and that where there were specific difficulties mitigation measures should be put in place. The Strategic Director reported that senior management and heads of service received a monthly report highlighting any slippage and assured the committee that all recommendations would be completed. She suggested that the responsible manager should attend the committee to explain the reasons if implementation dates slipped persistently.

The Committee noted the report.

38. Internal Audit: audit reports to committee December 2016

The Committee considered reports and recommendations from audits by the internal auditor, BDO, identifying medium-level risks:

- a) Accounts receivable
- b) Payroll.

a) Accounts receivable

Gurpreet Dulay, BDO, introduced the report setting out the findings and recommendations of the audit of the accounts receivable function and the Head of Financial Services, the Income Manager and the Income Team Leader answered questions.

The Committee noted the following:

1. The manager agreed with the findings and was implementing the recommendations. These would strengthen controls and could be completed early in 2017.
2. The outstanding debt related principally to the direct services trading arm and to payments owed by Oxfordshire County Council. It covered everything apart from business rates and council tax debt.
3. The accounts team were pro-actively working with direct services in reducing the debt, and controls were in place which generally prevented further work being done before outstanding debts were dealt with.

The Committee asked for information about debt in each category written off in 2015/16 and 2016/17

The Committee noted the report.

b) Payroll

Gurpreet Dulay, BDO, introduced the report setting out the findings and recommendations of the audit of the payroll function and the Head of Financial Services, and the Head of Business Improvement answered questions.

The Committee noted the following:

1. The recommendation on centralised timesheets was not accepted as it was not considered that this would help improve accountability.
2. To give a better audit trail, procedures around documenting fuller details of claims for overtime and expenses had been improved and sent to staff.
3. Individual managers had responsibility for overseeing, checking and signing off claims for overtime but payroll were in the position to take an overview of the whole of the organisation and see trends and patterns in overtime payments either over whole services or over time which individual managers may not be able to spot. Central oversight can highlight patterns of concern because of changes in legitimate overtime paid to individuals to cope with work or changes in overtime across a service area.
4. The HR system, iTrent, had some new reporting functionality to allow this.
5. The service manager had reviewed workloads in the licensing team and decided to employ more staff to reduce the need for essential overtime.
6. Council officers were meeting with County Council pensions officers to resolve areas of concern, including the timely and accurate transfer of data between authorities.

The Committee asked for an update after the meeting with pensions officers.

The Committee noted the report.

39. Annual Audit Letter for year ended March 2016

The Committee considered the annual audit letter of the Council's external auditors, Ernst & Young.

David Guest, Ernst & Young, introduced the report.

The Committee noted the implications of the earlier close of the end-of-year accounts and earlier audit deadlines for the 2017/18 accounts. The audited accounts would be presented to committee by 31 July 2018. The time constraints had a significant impact on the workloads of council staff in managing both the year end and budget processes together and the auditors managing audits with identical deadlines across different sectors.

The Committee noted the report, and recorded their thanks to the finance team and all staff involved in the work leading to the unqualified audit opinion.

40. External Audit - Progress Report

The Committee considered the report of the Council's external auditors, Ernst & Young, which presented the progress of the work of the external auditors.

David Guest, Ernst & Young, introduced the report.

The Committee noted:

1. The audit plan for 2017/18 would be sent to the Chair for comment before the committee next met in March
2. The 2015/16 housing benefit subsidy claim work showed that on local authority errors the council just exceeded the threshold triggering a loss of subsidy. While this was a small percentage of the total housing benefit claim, this could result in a considerable cost to the council: in excess of the amount of the error.
3. The loss of subsidy would be covered from reserves and to attempt to reduce the error rate, additional training would be provided for benefits staff.
4. The Department of Works and Pensions had until January to respond to the audit: they may ask for further testing to confirm the exact level of error or may reclaim subsidy or may take no action.

The Committee noted the report.

41. Risk Management report: Quarter 2 2016/17

The Committee considered the report submitted by the Head of Financial Services setting out both the corporate and the service risks as at the end of Quarter 2, 30 September 2016. The Management Accountancy Manager introduced the report.

In discussion the Committee noted:

1. The reduced number of corporate red risks, and the risk of a severe impact from loss of investment income.
2. Risks associated with planning services had substantially reduced as the mitigation process had been completed.
3. Risks from aged debt had reduced given the mitigation measures discussed earlier.
4. Brexit's impact did not feature but could be classed as a severe risk.
5. Homelessness was not a high financial risk for the council because the budget contained sufficient increased funding to cover the expected costs and reports were coming to the Executive Board for additional resources. However it was clearly an increasingly severe problem and the committee were concerned that the financial risk does not adequately reflect the actual level of risk.

The Committee asked for more details on the risks and how these were calculated and mitigated.

The Committee noted the report.

42. Officer Executive Decisions: Quarterly to December 2016

The Committee considered the report of the Head of Law and Governance setting out the Officer Executive Decisions taken in the period 16 September to 30 November 2016.

The Committee noted the report and the decisions taken.

43. IRRV Performance Awards 2016 - Excellence In Corporate Fraud

The Committee congratulated the Oxford City Council Investigations Team on their success as winners of the '*Excellence in Corporate Fraud award – 2016*' category in the IIRV Performance Awards.

44. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 8.05 pm