

Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 25 July 2018

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Committee members:

Councillor Corais	Councillor Fry
Councillor Gotch (for Councillor Gant)	Councillor Munkonge
Councillor Rush	Councillor Tanner
Councillor Wolff	

Officers:

Anita Bradley, Monitoring Officer and Head of Law and Governance
Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager
Scott Warner, Investigation Manager
Jennifer Thompson, Committee and Members Services Officer

Also present:

Gurpreet Dulay, BDO Internal audit manager
Yasmin Ahmed, BDO Internal auditor
David Guest, Ernst & Young external auditor
Paul King, Ernst & Young external auditor

Apologies:

Councillor Gant sent apologies.

1. Election of Chair for 2018/19 municipal year

Councillor Fry, being proposed and seconded, was elected Chair of the Committee for the 2018/19 Council year.

2. Election of Vice-Chair for 2018/19 municipal year

Councillor Munkonge, being proposed and seconded, was elected Vice-Chair of the Committee for the 2018/19 Council year.

3. Declarations of Interest

There were no declarations of interest.

4. External audit: Audit results report for the year ending 31 March 2018

The Committee considered the report of the external auditor Ernst & Young setting out the outcome of the audit of the Council's accounts.

Paul King and David Guest, external auditors, presented the results and reported that:

- they had issued an unqualified audit opinion and there were no significant matters or risks to draw attention to the Committee's attention, and no matters outstanding;
- the Council had not complied with start date of the statutory public inspection period but the accounts had been available for inspection for the required time. This was not material and would be rectified next year;
- one uncorrected misstatement was dealt with in the report and the letter of representation: £1.6m as the share allocated to the Council of the difference of between the actuarial value and the actual investment return on the Oxfordshire Pension Fund. This was not material to the accounts and was caused by pessimistic assumptions;
- their fees may need to be adjusted to take account of the complexities of including the audits of the Council's companies: fees would be discussed and agreed by the committee and were subject to external review.

In answer to questions, the auditors and the Head of Financial Services reported:

- the minimum prudent working balance for unallocated reserves was set at £3.5m excluding earmarked reserves. The prudent levels of balances were reported to Council in the S151 officer's report accompanying the budget report.
- staff turnover appeared high as this covers all staff including temporary staff for elections (paid through the payroll). Actual turnover in permanent posts, at around 10%, was typical of a local authority but certain areas such as planning struggled to recruit and retain staff.

The Committee resolved to note the report of the external auditors, the presentation, and answers to questions.

5. Statement of Accounts for financial year 2017/18

The Committee considered the Statement of Accounts for 2017/18; the covering report; and the draft letter of representation (included with papers for the previous item).

Nigel Kennedy, the Head of Financial Services, and Bill Lewis, Financial Accounting Manager, presented the Statement of Accounts, and in their statement and in answer to questions:

- thanked the Council's accountancy team and E&Y audit team for their hard work preparing these accounts in the new compressed timescale;
- the capital programme of £120m was very large for a district council. Last year 70% of the budget was spent as expected. In 2018 there would be more corporate resources made available to project manage the capital programme and further reduce slippage.
- the written-off adjustment to HRA rent debtors (para 9 of the report) was a one-off adjustment to cover several years and would not be an annual adjustment.

- the valuation of property assets was carried out by both an external valuer and an internal review and reflected the general increase in property prices.

The Committee resolved to:

1. approve the audited 2017/18 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts; and
2. approve the final Letter of Representation to enable the opinion to be issued .

The Chair signed copies of the Statement of Accounts and the Letter of Representation at the meeting.

6. E&Y Audit Fee Letter for 2018/19 audit services

The Committee considered the report of the external auditor Ernst & Young setting out the scope of the audit they intend to undertake in 2018/19 and the expected fees.

David Guest, external auditor, reported:

- the Council had joined the national scheme for procuring audit services Public Sector Audit Appointments Ltd (PSAA) for audits of the 2018/19 to 2022/23 accounts.
- Ernst & Young were appointed via this scheme and would be providing the same service with a reduction in expected fees: however the fee depended on a number of factors including officers also meeting their timetable.
- an increased fee may be necessary to cover the increased work created by the inclusion in the Council's accounts of the audited accounts for the Council's companies. These created complexities around consolidating accounts and lowered the level of financial materiality (significance)
- Ernst & Young had signed a separate contract to undertake the annual Housing Benefit subsidy claim certification as this did not fall under the PSAA contract.

The Committee noted the contents of the letter and the indicative fees.

7. Investigation Team Performance and Activity Annual Report

With the agreement of the Committee the Chair varied the order of the agenda to take this item next.

The Committee considered a report setting out the activity and performance of the Corporate Investigation Team for the period 1 April 2017 to 31 March 2018.

Scott Warner, Investigations Manager, reported and answered questions:

- the investigation team had exceeded their targets for 2017/18
- the second annual conference in September 2017 had been successful, and the third would be held in September 2018.

- the team was shortlisted for three IIRV awards and won one. The awards and successful meeting of income and fraud reduction targets enhanced the reputation of the team and helped them increase their commercial activities.
- anti-fraud work was partly proactive (eg the focus this year on reviewing all council tax single person discounts) and partly reactive (eg Council Tax Discount / Exemption) which explains some of the apparent discrepancy in income recovered.
- he noted a comment that Council Tax Discount / Exemption fraud may be much higher as student exemptions may be in place for unentitled properties.
- setting appropriate targets required balancing the need for sufficiently challenging targets against having a 'satisfaction margin'.

The Committee noted the report and agreed to ask the Head of Financial Services to offer and request appropriate support for the annual conference.

The Committee resolved to exclude the press and public for the next section of the discussion on the grounds that if they were present during the business to be transacted there would be a likelihood of disclosure to them of exempt information relating to the identity of individuals and actions relating to the investigation of a crime.

The Investigations Manager reported on the outcome of 3 internal investigations (circulated to members of the committee in an exempt appendix to the report containing information relating to the identity of individuals and actions relating to the investigation of a crime).

The Committee noted the outcome of the internal investigations.

8. Annual Governance Statement 2017-18

With the agreement of the Committee the Chair varied the order of the agenda to take this item next.

The Committee considered the Council's Annual Governance Statement and covering report.

The Head of Law and Governance presented the Annual Governance Statement and explained the purpose of the Statement, the key points and context, and the effectiveness of the Council's overall governance framework including systems for managing internal control, performance, and risk. She reported no significant concerns with the Council's governance systems.

The Committee requested a report for the next meeting on staff turnover at senior levels in the organisation and the implications for the management of risk management and governance for the Council.

The Committee resolved to approve the Annual Governance Statement.

9. Internal Audit: Annual Report and Annual Statement of assurance

The Committee considered the report of the internal auditor BDO setting out progress made against the 2018/19 internal audit plan.

Gurpreet Dulay, internal auditor, in presenting the report and in answer to questions reported:

- Internal audit had completed or nearly completed all planned audits for 2017/18.
- Overall the auditors were able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.
- The overall assurance for 2018/19 depended on the findings from this year's audit plans.

The Committee asked for a report from the Head of Business Improvement and the ICT Manager on the risks, challenges, and actions being taken to ensure the best possible cybersecurity.

The Committee noted the report.

10. Internal Audit: Progress Report: Quarter 1 2018/19 - July 2018

The Committee considered the report of the internal auditor BDO setting out progress made against the 2018/19 internal audit plan.

Gurpreet Dulay and Yasmin Ahmed, internal auditors, in presenting the report and in answer to questions reported:

- The review on staff retention (no 10) would focus purely on retention activities and should be reported to the next meeting.
- The review of the capital programme management (no 7) would include the 'capital gateway' system for managing these projects.
- The review of payroll admin raised 3 moderate actions. As part of one of these, spot checks on submitted forms would be carried out to ensure accuracy.

The Committee noted the report.

11. Internal Audit: Follow up of recommendations to July 2018

The Committee considered the report of the internal auditor BDO setting out progress made on those recommendations raised by Internal Audit which are due for implementation.

The Committee noted the report and the decrease in the number of incomplete and delayed recommendations.

12. Risk Management Quarterly Reporting as at 31 May 2018

The Committee considered the report of the Head of Financial Services giving an update on both corporate and service risks as at 31 May 2018.

In the presentation and discussion the Committee noted:

- The risk register was being updated and a Council wide group re-established to give a more consistent approach and to re-evaluate stated and unstated risks.
- There needed to be a way to differentiate between 'new' high risk and 'ongoing' high risks.
- Financial risks were always included and rated 'red' and high risk partly to maintain focus on the need for stringent mitigation.
- The wider risks to the city and its economy from the potential loss of major employers were hard to quantify but were significant. The [Finance Panel](#) had recently considered a paper on the [Local Implications of Brexit](#).

The Committee noted the report and comments.

13. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 12 March 2018 as a true and accurate record.

14. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.15 pm and ended at 7.50 pm

Chair

Date: Wednesday 17 October 2018