

## AUDIT AND GOVERNANCE COMMITTEE

**Thursday 28 June 2012**

**COUNCILLORS PRESENT:** Councillors Rowley (Chair), Simmons (Vice-Chair), Clarkson, Darke, Fry and Mills.

**OFFICERS PRESENT:** Mathew Metcalfe (Democratic and Electoral Services), Jackie Yates (Executive Director Organisational Development and Corporate Services), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Jeremy Thomas (Head of Law and Governance), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Maria Grindley (Audit Commission)

### **6. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Tony Brett and David Rundle (Councillor Mark Mills attended as a substitute for Councillor Rundle).

### **7. DECLARATIONS OF INTEREST**

Councillor Roy Darke declared a personal interest in agenda item 3 (Statement of Accounts for the year ending 31<sup>st</sup> March 2012) as he is a Member of the Oxfordshire County Council Pensions Committee. (Minute 8 refers).

### **8. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2012**

The Head of Finance submitted a report (previously circulated, now appended) which presented the Statement of Accounts for the year ending 31<sup>st</sup> March 2012.

Councillor Roy Darke declared a personal interest as he was a Member of the Oxfordshire County Council Pensions Committee.

Nigel Kennedy Head of Finance introduced the report.

In response to questions concerning heritage assets, Anna Winship explained that they had always been included in the accounts, but now had to be split out as a specific heading and included the civic regalia, Town Hall Organ, paintings etc and as at 31<sup>st</sup> March 2012 were valued just short of £2.4m. Anna Winship confirmed that they were covered by insurance.

Councillor Fry asked questions concerning the pension deficit. In response Jackie Yates said that the valuation was a point in time, and so would change. She added that the tri-annual valuation would look at the assets and liabilities of the fund and make recommendations for managing the deficit over the long term. She further added that there had been recent changes to the pension scheme including employees making contributions based on their salary, rather than a flat rate percentage.

Councillor Simmons asked how Members could find out more information on the Council's acquired company, specifically on the partnership with Grosvenor Developments Limited and the Barton Oxford LLP. In response Jackie Yates said that the agreement between the Council and Grosvenor Developments Limited was a matter of public record and so could be viewed. She added that she was one of three Directors from the Council on the Partnership Board and the Lead Officer on this was David Edwards. Various Members of the Committee agreed that it would be useful to have a briefing session on this partnership.

Councillor Simmons asked questions concerning interest payments from funds held in Icelandic Banks. In response Anna Winship said that the Council had funds in two Icelandic Banks, of these one was paying interest up to 2009, while the other was not.

Councillor Mills asked questions concerning the Group Accountants and the liabilities in relation to the LLP. In response Jackie Yates explained that there would be an upfront financial outlay by Grosvenor to provide the infrastructure for the development before the income from sales were realised and any profit generated. She further added that the LLP accounts had been prepared by Grosvenor and audited by Grant Thornton, the Auditors appointed by the LLP.

The Committee agreed:

- (a) To thank Officers for their work in producing the Statement of Accounts;
- (b) To note the Statement of Accounts as certified by the Executive Director (Organisational Development and Corporate Services) for submission to the Councils external auditors;
- (c) To request the Executive Director, City Regeneration to arrange for a briefing session for Members of the Audit and Governance Committee on the financial structure of the Barton Oxford LLP.

## **9. 2011/12 ANNUAL GOVERNANCE STATEMENT**

The Head of Law and Governance submitted a report (previously circulated, now appended) which presented the 2011/12 Annual Governance Statement for approval.

Jeremy Thomas introduced the report and said that while it had been presented as a separate agenda item, the Annual Governance Statement formed part of the Statement of Accounts.

In response to questions from various Members of the Committee, Officers explained that the Council's Collection Fund position was comparable with other authorities and that Officers were working hard to ensure that monies due were collected and the amount of arrears reduced.

The Committee agreed to approve the 2011/12 Annual Governance Statement.

## **10. AUDIT COMMISSION PROGRESS REPORT**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 2011/12 Audit Plan.

Maria Grindly from the Audit Commission introduced the report and said that good progress had been made with improvements in controls for 2011/12. She further highlighted that being able to conduct early work on the Statement of Accounts had been beneficial.

In response to questions concerning reconciliations and car parks, Anna Winship said that the same level of work would be required whether there was a daily or weekly reconciliation as the pay machines were emptied on a daily basis.

The Committee agreed to note the report.

#### **11. INTERNAL AUDIT ANNUAL REPORT - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC), which provided a commentary of internal audit activity for the 2011/12 year.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report and highlighted that there had been a significant reduction in the number of audits with a high risk rating.

The Committee agreed to welcome the reduction in the number of high risk ratings and to note the report.

#### **12. RISK MANAGEMENT QUARTERLY REPORTS - QUARTER 4, 2011/12**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on both corporate and service risks as at the end of quarter 4, 31<sup>st</sup> March 2012.

Nigel Kennedy from Finance introduced the report.

The Committee agreed to note the report.

#### **13. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress on the implementation of internal and external audit recommendations.

Anna Winship from Finance introduced the report and said that no new recommendations had been added as we were now at the end of the 2011/12 year. She added that with the current 2012/13 year now underway new recommendations would be added.

The Committee agreed to note the report.

#### **14. INVESTIGATION TEAM, FINANCE, PERFORMANCE 2011/12**

The Head of Finance submitted a report (previously circulated, now appended) the purpose of which was to report to the Committee the Investigation Team's performance for the period 2011/12 and to further update the Committee on fighting fraud locally.

Carol Quinton introduced the report and in response to questions said that in early 2013, the Council should know initially how much funding the Department for Work and Pensions (DWP) would provide for investigators under the single fraud investigation service. She added that the Council employees would remain under the management of the Council, but their work allocation, performance targets etc. would not and information on this had not been forthcoming from the DWP.

Committee Members asked further questions concerning internal fraud work and the quality of investigations due to the changes. In response Carol Quinton said that the Council was working with other authorities to see where the risk areas generally were on internal fraud. Regarding the quality of investigations she said that there was concern that the Crown Prosecution Service (CPS) had instigated a 28 day file review which was not a legal requirement, which had resulted in cases not being pursued, which might otherwise be in the public interest to pursue.

Carol Quinton said in response to questions concerning targets that these had been reduced by 25% due to an Officer being moved to deal specifically with tenancy fraud, however the number of cases had not reduced as had been the expectation.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance write to the Department for Work and Pensions (DWP) with the comments and concerns of the Committee and asking for reassurance that reporting lines between the Single Fraud Investigation Service and the Audit and Governance Committee would be maintained;
- (c) To request the Head of Finance write to the Crown Prosecution Service (CPS) and the Department for Work and Pensions (DWP) expressing the Audit and Governance Committee's concern at the 28 day file review limits which would result in cases not being pursued which otherwise may have been.

#### **15. MINUTES**

The Committee agreed to approve the minutes (previously circulated) of the meetings held on 16<sup>th</sup> April and 23<sup>rd</sup> May 2012.

## **16. DATES OF FUTURE MEETINGS**

The Committee agreed to note the dates of future meetings as detailed on the agenda pages and that the next meeting of the Committee would take place on Thursday 27<sup>th</sup> September 2012 at 6.00pm in the Town Hall.

## **17. MATTERS EXEMPT FROM PUBLICATION**

The Committee agreed to exclude the press and public from the meeting during consideration of items on the exempt for publication part of the agenda.

## **18. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES 2011/12**

The Head of Finance submitted a report (previously circulated, now appended), which detailed recent investigations and outcomes of cases of alleged fraud involving Oxford City Council staff.

The Committee agreed to note the report.

**The meeting started at 6.00 pm and ended at 7.30 pm**

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