

## AUDIT AND GOVERNANCE COMMITTEE

**Thursday 27 September 2012**

**COUNCILLORS PRESENT:** Councillors Rowley (Chair), Rundle (Vice-Chair), Simmons (Vice-Chair), Brett, Bance and Seamons.

**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), Maria Grindley (Audit Commission), Charlotte Bilsland, Alan Witty (Audit Commission) and Christopher Dickens (Pricewaterhousecoopers (PWC))

### **19. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Mary Clarkson, Roy Darke (Councillor Antonia Bance attended as a substitute) and James Fry (Councillor Scott Seamons attended as a substitute).

### **20. DECLARATIONS OF INTEREST**

None declared.

### **21. ADDRESS TO THE COMMITTEE - VIM RODRIGO**

Mr Vim Rodrigo attended the meeting and with the permission of the Committee addressed in on the issue of the special expenses levied on those parts of the City that fell outside of a Parish Council area, which he felt was an imposition on those who were least able to afford it.

A copy of the text to Vim Rodrigo's address is appended to these minutes.

The Committee agreed:

- (a) To thank Vim Rodrigo for his address to the Committee.
- (b) To request the Head of Finance provide a written response to the points raised in the address from Vim Rodrigo and that this response be submitted to the next meeting of the Audit and Governance Committee for information.

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

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

Nigel Kennedy, Head of Finance, introduced the report and thanked Anna Winship and the Finance Team for their work in producing this year's statement of accounts. He highlighted that the statement of accounts were unqualified for the third year running which was very good as this continued to show the continued improvements made by the Council in the preparation of its accounts.

Councillor Simmons asked with regard to the joint venture and the transfer of land, how this was treated in the accounts. In response Nigel Kennedy said that the valuation of the land was undertaken through the Councils Corporate Property Services using external valuers. Jackie Yates further added that the accounts dealt with income/expenditure concerning 2011/12 and that the enhanced value of the land would come through in future years via the profit share mechanism agreed in the contract and as the value was realised.

Councillor Rundle felt that the explanatory forward was very useful. However he felt that the tense of the text required further work as people reading it might become confused, especially as the document is a public document.

Councillor Simmons asked questions concerning the position of the pension fund. In response Nigel Kennedy said that there had been a significant shift, mostly due to the current market position. Jackie Yates added that the valuation of the fund was done on a particular day and time and that it was important to understand that this was a long term investment. She further added that the triennial valuation of the fund assessed its underlying deficit and that contribution rates were then reviewed to address the deficit over the long term.

The Committee agreed:

- (a) To approve the audited 2011/12 Statement of Accounts and to authorise the Executive Director, Organisational Development and Corporate Services and the Chair of the Committee to sign the Statement of Accounts;
- (b) To approve the Letter of Representation to enable the opinion to be issued.

### **23. ANNUAL GOVERNANCE REPORT - AUDIT COMMISSION**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission, which detailed the Annual Governance Report prepared by the Audit Commission.

Maria Grindley from the Audit Commission introduced the report and highlighted once again the improvement made by the Council on what would always be a complex set of accounts and thanked Officers for their work. She added that there was some additional work undertaken at a cost of £10k, however the overall fees had reduced by £23k from the previous year.

In response to questions concerning the recommendations, Jackie Yates said that management responses to all of the recommendations had been drafted. Regarding recommendations 1 and 5, these related to training and quality assurance which would be built into the work plan for 2013. on the recommendations covering leases, work had commenced, but additional

agreements were required. Recommendation 4, concerned three, now former members of Council and a procedure was being put in place to ensure that this information was collected earlier, especially in election years. A copy of managements response to the recommendations is appended to these minutes.

The Committee agreed to note the report.

#### **24. INTERNAL AUDIT SUMMARY REPORT - 2012/13 PLAN - 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 an update of the work undertaken as part of the 2012/13 Audit Plan.

Charlotte Bisland from Pricewaterhousecoopers introduced the report and informed the Committee that the audit work days were in-line with the Plan with one revision: the five days allocated to the Northgate Review were no longer required and had been reallocated to a Health and Safety Review. She explained that this was due to Northgate conducting the review instead.

Councillor Rundle asked why the Fraud Risk report had not been submitted to the Audit and Governance Committee. In response Charlotte Bisland said that it had not been submitted as it was a value enhancement report which looked at value for money, rather than a risk based audit. She added that if risk had been identified it would have been reported to the Committee.

Councillor Simmons asked how the Insurance Review would be used in the next insurance contract. In response Nigel Kennedy said that when a preferred supplier was chosen, the Council would work with them to address

The Committee agreed to note the report.

#### **25. INSURANCE REVIEW - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which set out the findings of a review of the Council's arrangements for managing insurance claims .

Charlotte Bisland from Pricewaterhousecoopers introduced the report.

Councillor Simmons asked if the Council had a self insurance fund, and if so did the review cover this. In response Nigel Kennedy said that the Council did set funds aside for self insurance. He confirmed that this review only looked at the arrangements in respect of the Zurich insurance contract.

The Committee agreed to note the report.

#### **26. 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 made on the implementation of recommendations following audits.

Nigel Kennedy, Head of Finance introduced the report and highlighted that there were no outstanding external risks.

Councillor Rundle with regard to internal audit recommendation IA339 said that although it was marked as green and 100% complete there were still issues concerning the time take to process benefit claims. In response Jackie Yates said that the Department for Work and Pensions (DWP) had brought in changes which had resulted in peaks of work within the Benefits Team. She added that a resilience contract had been put in place to deal with these peaks and to manage the flow of work.

Councillor Rundle added that in as much as the days have reduced, could this be maintained and felt that the issue should be passed the Communities and Partnerships Scrutiny Committee to monitor and to also retain the recommendation in the Recommendation Tracker.

Councillor Rundle added that in as much as the days have reduced, he was concerned about sustainability and felt that the issue should be passed the Communities and Partnerships Scrutiny Committee to monitor and to also retain the recommendation in the Recommendation Tracker.

The Committee agreed:

- (a) To invite Helen Bishop, Head of customer Services to the next meeting of the Audit and Governance Committee to provide a brief update on Housing Benefits performance;
- (b) To refer internal audit recommendation IA339 concerning housing benefits to the Communities and Partnerships Scrutiny Committee and request that it continues to monitor the days taken to process claims to ensure that the time taken does not increase;
- (c) To retain internal audit recommendation IA339 concerning housing benefits on the Recommendation Tracker.

## **27. MINUTES**

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 25<sup>th</sup> June 2012.

## **28. 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 29<sup>th</sup> November 2012 at 6.00pm at the Town Hall.

**29. MATTERS EXEMPT FROM PUBLICATION**

None.

**The meeting started at 6.00 pm and ended at 6.55 pm**

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Oxford City Council

Audit and Governance Committee Meeting

Venue: Town Hall, St Aldates, Oxford.

Date: 27<sup>th</sup> September 2012.

To the chairman and committee members  
I thank you for giving me the opportunity to address you on the subject of 'Special Expenses' imposed on those of us who live in 'Unparished Areas'.

I speak as a resident of Rose-hill where part of the estate was once within the boundaries of Littlemore Parish. After much petitioning, the Government eventually sanctioned the boundary change, which took Rose-hill out of the administration of Littlemore Parish Council. However, without consultation with the electorate the City Council was quick to impose an additional tax on those living in 'Unparished Areas' which I allege was introduced to appease Parish Councils who could have some of their maintenance costs offset.

I have repeatedly brought up this issue at 'Area meetings' and been 'fobbed off' by council members of the committee, that the issue would be looked into and an explanation giving details forwarded to me.

I have to say that I am still waiting for a reply.

I have even spoken at the General Council meetings where at least one councillor did assure me that she would look into the matter and come back to me.

It did not materialise.

I am not against this tax, but I feel that to impose it on one section of the community is 'unfair' and 'discriminatory'.

The items funded by this tax should have been funded by the 'City Wide Tax', as all citizens - living in the Parish and Unparished Areas - enjoy the benefits and facilities. Let me state a few of the items.

- i. Community Recreation
- ii. Parks management
- iii. Allotments
- iv. Ditches and Streams
- v. Cemeteries
- vi. Street furniture.

Rose-hill has not gained from any of the above items, yet Parish councils have been able to encroach on this fund.

Parish Councils have control of their money and can choose their own auditors, solicitors, accountants, etc.

Unparished area representatives have NO SAY in fact we are made to beg - even then the



answer is NO - there is no money in the coffers.

Further, this 'unfair tax' helps to keep the Council Wide Tax within government limits. Do you consider this manoeuvre justified and complying within the bounds of rules set.

This fund also meets all the short falls of tax collected for the County, Police and Parish Councils.

There is a simple solution - and it will involve less staff - Have one City Wide tax and let Parish councils impose their own tax for the luxuries they want, which of course would be additional to the City Wide tax.  
... What is the problem?

 J. A. V. Rodrigo.

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# Appendix 6 – Action plan

## Recommendations

### Recommendation 1

The Council needs to remind staff of the guidance on the classification of income and expenditure in the Comprehensive Income and Expenditure Statement and ensure that this is understood. Checks should be undertaken by a senior staff member to ensure that the guidance is being followed.

**Responsibility** Nigel Kennedy

**Priority** Medium

**Date** Jan 2013

**Comments** Training will be provided to all finance staff involved in the closedown process to ensure that all I&E entries are classified correctly in the financial statements.

Additional QA will be built into future years timetables in order to review analytical reviews carried out by management accountants.

### Recommendation 2

The HRA account and supporting working papers should be subject to review before the 2012/13 financial statements are finalised and passed over for audit. This should help to pick up any errors made.

**Responsibility** Anna Winship

**Priority** Medium

<b>Date</b>	June 2013
<b>Comments</b>	A thorough review of WPs and statements relating to HRA will be carried out prior to the accounts being submitted for audit in future years.
<b>Recommendation 3</b>	
The Council need to ensure that they have the appropriate information to not only make the appropriate disclosures in the financial statements but also manage the whole process of leases. I found that the current workbook developed by the Council provides the basis for this. Arrangements need to be put in place to ensure that information on new and expiring leases and changes to lease terms are shared between Legal, Estates and Finance on a timely basis.	
<b>Responsibility</b>	Anna Winship
<b>Priority</b>	Medium
<b>Date</b>	Dec 2012
<b>Comments</b>	The spreadsheet held by Finance is a key starting point for this piece of work, and a procedure will be put in place to ensure any changes to leases are notified on a timely basis going forward
<b>Recommendation 4</b>	
Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures.	
<b>Responsibility</b>	Nigel Kennedy
<b>Priority</b>	Medium
<b>Date</b>	March 2013
<b>Comments</b>	The Council will put in place arrangements to ensure disclosures can in future be obtained on a timely basis from members that are standing down.
<b>Recommendation 5</b>	

Ensure that the coding structure in place supports appropriate disclosures in the financial statements. Ensure that staff are aware of the guidance on coding and receive appropriate training. Undertake sample checking by a more senior member of staff to confirm the accuracy of the coding.

<b>Responsibility</b>	Anna Winship
<b>Priority</b>	Medium
<b>Date</b>	Jan 2013
<b>Comments</b>	This links with Recommendation 1 and therefore will be picked up in the training carried out to all finance staff that are involved with the closedown process

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