

## Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 1 March 2017



### Committee members:

Councillor Fry (Chair)	Councillor Coulter
Councillor Paule	Councillor Pressel (for Councillor Munkonge)
Councillor Tidball	Councillor Wolff (for Councillor Thomas)

### Officers:

Laura Bessell, Benefits Manager  
Lindsay Cane, Acting Head of Law and Governance  
Nigel Kennedy, Head of Financial Services  
Jennifer Thompson, Committee and Members Services Officer  
Anna Winship, Management Accountancy Manager

### Also present:

Gurpreet Dulay, Manager, BDO Internal audit, BDO Internal Audit provider  
David Guest, Ernst & Young external auditor, Ernst & Young  
Paul King, Ernst & Young external auditor, Ernst & Young

### Apologies:

Councillor(s) Munkonge and Thomas sent apologies.

## 45. Declarations of Interest

There were no declarations.

## 46. Internal Audit: progress report to March 2017

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

Gurpreet Dulay, BDO, presented the report. He said that the majority of the 2016/17 scheduled audits were complete and the outstanding three should be completed by the year end.

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

On the planned procurement audit, they asked the auditors to look at how the council measures the social value impact of its spending.

On the arrangements for the audit of the new housing company the committee noted that the governance arrangements and the business plan were being finalised, and the scrutiny committee's involvement. The directors were evaluating business planning tools and had commissioned external advice on the business plan. The committee were of the view that the audit should cover governance, risk and auditing functions, taking into account external evidence including reports from APSE and similar companies where applicable.

The Committee noted the report and congratulated the Treasury Management team on the excellent results from their audit.

#### **47. Internal Audit: follow up of recommendations to March 2017**

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.

Gurpreet Dulay, BDO, presented the report.

The Committee noted that the new controls for the SIGMA systems could not be completed until the new contract rates were available for the team. They noted that a number of related recommendations were delayed because of delays in necessary software upgrades.

The Committee noted the report.

#### **48. Internal Audit: audit reports to committee March 2017**

The Committee considered the report and recommendations from the audit by the internal auditor, BDO of the council's Business Continuity and Disaster Recovery planning.

Gurpreet Dulay, BDO, introduced the report. In answer to questions he and the Head of Finance said:

- good business continuity plans helped an organisation recover much faster and at less cost in the event of a major incident;
- at the end of March the business continuity plan for ICT would be tested;
- Zurich Municipal were contracted in an advisory role and would be providing some training over the next year.
- once service area and corporate plans were complete, Zurich would review these to identify gaps and training needs, including desk top and full testing.
- The timetable was realistic.

The Committee noted the report.

## **49. Oxford City Council Internal Audit Plan 2017-18**

The Committee considered the report of the internal auditor, BDO, setting out the internal audit plan for 2017-18.

Gurpreet Dulay, BDO, introduced the report and said the remaining four audit days for 2016/17 could be used to assess the Housing Benefit service's action plan.

The Committee recommended the following changes to the plan:

- Use the remaining four audit days for 2016/17 to assess the Housing Benefit service's action plan.
- Ensure there was sufficient time allocated to the Companies Review and that this should take place earlier than Q4.
- Time should be given to working with the council on minimising the financial risk from the new finance act and the tax recording and payment changes for contracted workers including sub-contractors.
- In the 2016/17 audit of the council's culture, assess the risks to the culture of the organisation arising from the uncertainty surrounding the County Council's unitary council bid.

The Committee noted the report.

## **50. Oxford City Council Annual Certification Report**

The Committee considered the report of the Council's external auditors, Ernst & Young informing them of the certification work on its claims and returns in relation to Housing Benefit.

David Guest, Ernst & Young, introduced the report and outlined how the error rate and subsidy claim were calculated and the types of errors found. He explained that the total value of extrapolated errors would likely lead to a reduction in payment of subsidy from the Department of Works and Pensions as it exceeded the threshold permitted before subsidy was withdrawn. The recommendations included improving accuracy and checks to reduce the errors below the threshold.

He said it was not usual for a council to exceed the threshold but as the complexity of cases increased it was now usual to be issued a qualification letter. The results from the testing should reflect training and changes to processes, but because of the delay between close of year and the end of the audit there was a period when the same errors continued and affected the following year's audit.

The Benefits Manager and the Head of Financial Services outlined the actions the service was taking to reduce the error rate and answered questions from the committee:

- The errors were small – less than 1% of the total housing benefit expenditure of £64m – but had a significant cost to the council if they exceeded the threshold for loss of subsidy.
- The reasons for the most common types of errors would be identified and detailed procedures and training put in place. There would be a standardised pattern of work

- and assessment to increase confidence in the accuracy of processing; and updated procedures to reflect best practice, current law and case law
- Checking, feedback and performance reviews were carried out regularly and a quality control system (PMQA) was in place. Checking would now mirror the audit process and pro-actively seek to reduce the error rate.
  - There would be more thorough checking of data from the DWP to reduce errors creeping in from incorrect initial data.
  - Training would be comprehensive and focus on problem solving and accuracy.
  - Dealing with claims with a high risk of error (workers on zero hours or with irregular hours, and complex claims) presented challenges. The relative risks changed with the volume of different types of claims.
  - Where the likely dates of changes affecting many claimants were known (for instance pay reviews for major employers; rent changes; pension increases) these were put in the diary and reminder letters sent or known changes applied automatically.
  - The manager held IIRV qualifications and was keen for senior staff to achieve these.
  - The universal credit rollout brought further challenges to the benefits team.
  - There were monthly meetings and weekly checks on performance and a focus on the impact of errors and effectively managing claims types.

The Committee noted that financial reporting would show the subsidy penalty as a pressure on reserves.

The Committee noted the report, their concerns, and the action plan, and asked that the benefits manager come back in June to report on progress on the action plan.

## **51. Oxford City Council Audit Planning**

The Committee considered the report of the Council's external auditors, Ernst & Young setting out the Audit Plan 2017-18.

David Guest, Ernst & Young, introduced the report. He said that the risks derived from required audit standards and were common to all audit plans rather than implying an actual risk.

The Committee noted:

- The audit would be carried out on a compressed timetable to finish mid-July and so they may wish to schedule a meeting in late July to approve the audited accounts.
- Bringing the audit of the accounts forward allowed the housing benefit audit to start earlier which reduced the delay between year-end and reporting where repeated errors could continue.
- The audit could not be completed until the statutory inspection period ended and this may impact timescales for completing the 2016/17 audit.
- More work was planned before the year end to streamline and shorten the post-year-end auditing.

The Committee noted the report, the new timetable, and the comments above.

## **52. Risk Management report: Quarter 3 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 3, 31 December 2016. The Management Accountancy Manager introduced the report.

The Committee discussed the risks and mitigation measures in place for:

- the two corporate red risks and the new red service risk relating to out of town taxis;
- the two risks CRR32 (delivery of financial plan) and CRR33 (Housing) which were of concern;
- CRR31 (Supporting economic growth) was tracked and may become a higher risk with time;

The Committee asked for more details on the risks and how these were calculated and mitigated. They noted the difficulty of using procurement and the social value act to effectively influence key risk areas such as homelessness. They asked whether the council's companies should be added to the risk register given the sums of money involved in these.

The Committee discussed the risks to the city's housing stock and environment from the 'sharing economy' such as Uber and AirBnB.

They suggested the Head of Finance contact the team at De Montfort University studying of the effects of Brexit with a view to offering Oxford as a case study.

The Committee noted the report and the comments and asked for a report on the risks to the city's housing stock and environment from the 'sharing economy' such as Uber and AirBnB.

## **53. Minutes of the previous meeting**

The Committee resolved to **approve** the minutes of the meeting held on 14 December 2016 as a true and accurate record.

## **54. Dates and times of meetings**

The Committee noted the dates and times of future meetings; noted that a meeting may be scheduled in late July if the audit of the accounts was completed by mid-July as currently proposed by Ernst & Young; and agreed changes to the programme agreed at Council:

*18 October 2017 –change date to 26 September 2017*

*18 June 2018 –change date to 25 July 2018*

**The meeting started at 6.00 pm and ended at 8.10 pm**

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