

## AUDIT AND GOVERNANCE COMMITTEE

Monday 28<sup>th</sup> March 2011

**COUNCILLORS PRESENT FOR THE WHOLE OF THE MEETING:** The Chair (Councillor Beverley Hazell), The Vice-Chair (Councillor Clark Brundin), Councillors Roy Darke, Bryan Keen, Scott Seamons, David Williams and Stephen Brown (attending as a substitute for Councillor David Rundle).

**OFFICERS PRESENT FOR THE WHOLE OF THE MEETING:** Mathew Metcalfe (Law and Governance), Peter Sloman (Chief Executive), Jacqueline Yates (Corporate Director, Finance and Efficiency), Nigel Kennedy (Head of Finance), Maria Grindley and Alan Witty (Audit Commission), Katherine Bennett and Richard Bacon (Pricewaterhousecoopers).

**OFFICERS PRESENT FOR PART OF THE MEETING:** Jeremy Thomas (Law and Governance) and Carol Quainton (Finance).

### 78. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor David Rundle (Councillor Stephen Brown attended as a substitute).

### 79. DECLARATIONS OF INTEREST

None declared.

### 80. AUDIT COMMISSION PROGRESS REPORT

The Head of Finance submitted a report on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 2009/10 audit plan.

Alan Witty from the Audit Commission introduced the report and highlighted the work undertaken on IFRS and some small outstanding issues with officers concerning cash flow and the statement on the movement of reserves. With regard to objections to the accounts, there were a number and not just the one previously highlighted by Mr Feeney.

Councillor Brundin asked with regard to the objections whether the Audit Commission was comfortable at the approach of officers. In response Peter Sloman said that the main objection from Mr Feeney concerned members not declaring

interests with regard to the Core Strategy, however no part of his objection was upheld, but despite this, the objection had cost the authority in excess of £10k. Councillor Darke suggested that the complaint would have been better dealt with by the Standards Committee. In response Peter Sloman said that Mr Feeney had been advised of this more appropriate route. He concluded that the Council had nothing to learn from this objection/complaint as the Council had done nothing wrong.

The Committee agreed to note the report.

## **81. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT – AUDIT COMMISSION**

The Head of Finance submitted a report on behalf of the Audit Commission which summarised the findings from certifying the 2009/10 claims and included messages arising from the assessments and the Councils arrangements for preparing claims and returns and information on claims that the Audit Commission had amended or qualified.

Alan Witty from the Audit Commission introduced the report.

Councillor Keen raised a point concerning the fees. In response Jacqueline Yates said that there was a line in the budget for Audit Commission fees and an element of this covered grant claims. She added that the Council always tried to minimise the number of additional audit days.

Councillor Brown commented on the increase in the fee for Housing and Council Tax. In response Alan Witty said that the fee depends on what is found during the audit and varies from year to year.

Councillor Brundin asked if there was now an adequate control environment that officers were satisfied with. In response Jacqueline Yates said that it was easier to put controls in place in some areas than others. With regard to Housing and Council Tax Benefit, this was a complicated area and was currently going through a service restructure, however all of the necessary training would follow and be in place.

The Committee agreed to note the report.

## **82. FINAL ACCOUNTS CLOSEDOWN AND TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – 2010/11**

The Head of Finance submitted a report on behalf of the Audit Commission which updated the Committee on the Council's progress on the transition of the Council's accounts to International Financial Reporting Standards (IFRS) and the preparations for the closedown of the 2010/11 accounts.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Hazell raised concern that some statements in the report stated that the Audit Commission was happy, when this was not quite the case. In response Nigel Kennedy said that there were some outstanding issues, however what had been agreed had been produced.

Maria Grindley, Audit Commission, said that she would not give assurance at this stage until all of the work was completed.

Councillor Brown was concerned at the misunderstanding and asked for assurance that this would not happen again. In response Jacqueline Yates said that she had spoken with Alan Witty on the two issues concerning the movement of reserves and the one issue on pension liabilities. Alan Witty said that this had not been through the Audit Commission review process to give an assurance. Councillor Hazell added that a report such as this should always be passed through the Audit Commission.

Nigel Kennedy said that to achieve IFRS compliance the 2009/10 accounts had to be restated and this would be used as a platform for the 2010/11 closedown.

The Committee agreed:

- (a) To note the report;
- (b) That the Chair and Vice-Chair would meet with the Corporate Director, Finance and Efficiency and the Head of Finance at the end of May 2011 to discuss the progress on achieving IFRS and closedown.

### **83. RISK MANAGEMENT QUARTERLY REPORTING – QUARTER 3, 2010/11**

The Head of Finance submitted a report which provided a summary of the changes to the Corporate Risk Register and Service Risk Register submitted as part of the Quarter 3 update.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Brundin said that he was pleased to see that risk management was now a standard procedure. Councillor Hazell added that it would be useful for the Committee if officers that dealt with risks come to future meetings and updated the Committee on how the significant risks were being management, for example the Homelessness Service.

The Committee agreed:

- (a) To note the report;
- (b) To place on the agenda for the next scheduled meeting of the Audit and Governance Committee an item on Homelessness and Risk Management and to invite the Head of Service for this area to the meeting.

#### **84. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance submitted a report which updated the Committee on the progress on the implementation of audit recommendations.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Hazell raised concerns that equality and diversity issues were still outstanding and that further work that was required was not happening. Councillor Brown added that the Value and Performance Scrutiny Committee had also looked at this.

Richard Bacon following further comments said that some recommendations had been straightforward to implement. However there had been cases where other issues had “crept” into the recommendations as part of the monitoring and while the original recommendation had been dealt with and implemented this additional information, meant that it would not show as being implemented.

The Committee agreed:

- (a) To note the report and to ask that completed and implemented recommendations be removed from the list;
- (b) To invite the Head of People and Equalities to the next scheduled meeting of the Audit and Governance Committee to allow for an update on the progress of the implementation of the equalities and diversity recommendations to be given.

#### **85. INTERNAL AUDIT SUMMARY REPORT – 2010/11 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 audit plan.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report.

The Committee agreed to note the report.

#### **86. INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2011/12 - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report on behalf of the Council’s Internal Auditors, Pricewaterhousecoopers (PWC) which outlined the proposed audit work for the coming year, based on an analysis of the key risks facing the Council.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report. Maria Grindley from the Audit Commission said that she had also been in discussion

with PWC on the Plan to reduce the risk of duplication between the Internal and External Audit Plans.

The Committee agreed to note the report.

#### **87. TREASURY MANAGEMENT PLAN PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the findings of an audit of Treasury Management.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and stated that a Limited Assurance had been given following the audit.

Jacqueline Yates said that in terms of oversight, monthly meetings with managers were being held and that she was ensuring that all appropriate checks were in place, although there was always more that could be done. A new Treasury Manager had been recruited and would be joining the Council shortly and was a dedicated resource to treasury management. She further added that it had also been agreed that the Value and Performance Scrutiny Committee would receive a quarterly update.

Councillor Brown asked if there were any financial implications to the Council with regard to the Council being overdrawn 6 times in the past year. In response Nigel Kennedy said that this was a serious issue and staff and monitoring had been put in place to ensure that this did not happen again, however the Council would be liable for additional interest payments.

Councillor Brundin raised concerns on the actual level of compliance and asked if assurance could be given that this level would have improved by the next meeting of the Audit and Governance Committee. In response Nigel Kennedy gave this assurance.

The Committee agreed to note the report.

#### **88. POST IMPLEMENTATION REVIEW OF PARIS AND ITRENT PROJECTS**

The Corporate Director, Finance and Efficiency submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC).

Katherine Bennett from Pricewaterhousecoopers introduced the report and said that the review had looked at project implementation, which in this case covered payroll. She took the Committee through the findings and recommendations.

Jacqueline Yates said that it was important to understand that these were two projects that were critical to the close of accounts. Thankfully they did not cause problems, but lessons could be learned and that was why she commissioned this

report. She said that all of the related ICT staff had now been brought together which would allow for better co-ordination and the project management methodology was being reviewed. A Project Management Office was also being created and this had generated positive outcomes on how the Council managed projects.

Councillor Brown said that it seemed that issues stemmed from the specification or lack of, at the beginning of projects. In response Jacqueline Yates said that the right stakeholders had to be engaged with and the specification should clearly detail what was wanted.

Councillor Hazell commended Jacqueline Yates for commissioning this report, and this was supported by the rest of the Committee.

The Committee agreed:

- (a) To note the report;
- (b) To request the Corporate Director, Finance and Efficiency to submit a report to the next scheduled meeting of the Audit and Governance Committee on the review of the project management methodology.

## **89. MINUTES**

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 31<sup>st</sup> January 2011 subject to the following amendments:

- (a) In minute 68, Progress on the implementation of Audit recommendations, delete the whole of the fifth paragraph.

## **90. MATTERS ARISING FROM THE MINUTES**

- (a) Minute 68, Progress on the implementation of Audit recommendations

Councillor Brundin asked if there were any issues that should come back to the Audit and Governance Committee following reports in the local media on the Housing Benefits Service. In response Peter Sloman said that it was reasonable to request a report updating the Committee on the implementation of the recommendations. He added that he felt that the Benefits Service was a good service that had improved and work continued to sustain this improvement and he highlighted that new applications were now processed in 11 days and renewals in 7 days, however he acknowledged that the telephone service still required further improvements.

The Committee agreed to request the Head of Customer Services to submit a report to the next scheduled meeting of the Audit and Governance Committee on the implementation of audit recommendations concerning the Housing Benefit Service.

## **91. MATTERS EXEMPT FROM PUBLICATION**

The Committee agreed that, under Section 100A(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the remaining item of business on the grounds that their presence would involve the likely disclosure of information as described in paragraphs 2, 3 and 7 of Part I of Schedule 12A of the Act and to record that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## **92. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES**

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 5.00 pm and finished at 6.45 pm

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