

Minutes of a meeting of the Audit and Governance Committee on Wednesday 24 July 2024

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Committee members present:

Councillor Fry

Councillor Railton

Councillor Roz Smith

Councillor Coyne

Councillor Harley

Councillor Muddiman

Councillor Ottino

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services

Bill Lewis, Financial Accounting Manager

Jonathan Malton, Committee and Member Services Manager

Dr Brenda McCollum, Committee and Member Services Officer

Also present:

Yasmin Ahmed, Internal Auditor, BDO

Preeti Malik, External Auditor, Ernst & Young

Adrian Balmer, External Auditor, Ernst & Young

David Butler, Head of Planning and Regulatory Services

Wendy Rollings, Interim Regulatory Services Manager

Katherine Coney, Residential Regulation Team Area Manager

Emma Gubbins, Corporate Asset Lead

Robert Ducker, Senior Investigations Officer

Apologies:

No apologies were received.

1. Election of Chair for 2024/25

Councillor Railton nominated Councillor Fry. This was seconded and Councillor Fry was elected as chair in a unanimous vote

2. Election of Vice Chair for 2024/25

Councillor Muddiman nominated Councillor Roz Smith. This was seconded and Councillor Smith was elected in a unanimous vote.

3. Declarations of Interest

None.

4. Investigation Team Annual Report 2024/25

Rob Ducker, Senior Investigation Officer, introduced the report which provided an overview of the performance of the Counter Fraud Team for the 2023/2024 fiscal year. He highlighted the successes that the team had in counteracting fraudulent behaviour in the housing sector and how these efforts have generated a significant level of income for the council.

The Senior Investigation Officer also informed the committee of the work that the Counter Fraud Team had undertaken to raise awareness and educate people on best practice. To support these efforts, the Counter Fraud Team held their 8th annual conference, with over 150 in attendance to help to educate and raise awareness and they further relationships with other authorities. The 9th annual iteration of this conference is scheduled for November of this year and over 100 delegates are already booked on for this and the national conference, hosted in Birmingham the team attended last year. Rob Ducker stated that they would not be participating in this conference this year, but would be participating in a different national conference regarding fraud investigations.

Fraud Awareness Training was also offered to ODS staff around Fraud Awareness; to recognize and report possibly fraudulent behaviour in properties that they visit. These trainings have increased referrals from ODS and have been viewed to be very successful.

In response to a question from Councillor Ottino, regarding the methods used to identify possibly fraudulent behaviour, it was explained how the team has implemented data from the National Fraud Initiative to identify housing applications with a risk of being fraudulent.

Councillor Roz Smith queried the trainings available to staff so that they can recognize instances of possible fraud and how these staff members are being acknowledged for the good work they are doing in making referrals. Additionally, Councillor Smith asked for more information regarding the proportion of referrals that are being made from each source. Councillor Smith also asked if Audit and Governance training could be available for new members, because of the particular language and references that are used in the committee.

Nigel Kennedy, Head of Financial Services, stated that there is a training session available to members. When this training was conducted, it was recorded, and this can be distributed to the members of Audit and Governance Committee.

The Senior Investigation Officer replied by stating that referrals come from a variety of sources. Rob Ducker stated that 70 – 80% come from the general public, via their website and that about 30% come from staff. It was also outlined that the fraud awareness training is given to all new starters and that they also have regular fraud awareness training for staff. It was stated that they would be open to holding further trainings for staff and Councillors, if needed, and that they recognize and celebrate the staff who are making referrals regarding instances of possible fraud.

Councillor Ottino noted how the figures presented compared to previous years; stated that there has been a year-on-year rise, so the rise seen this year is a continuation of an ongoing trend.

Councillor Fry asked how the Counter Fraud Team could engage with more local authorities and if demand for their services did increase, if they would have the capacity to take this on. The Senior Investigations Officer responded that they are always seeking to work with more local authorities and that although they are only currently working with four councils, they also with a range of housing associations. Additionally, if the workload grew, the team could expand and are currently considering the appointment of a Financial Investigator, because of the capabilities and benefits that such an appointment would bring to the team.

In response to a further question from Councillor Fry regarding cyber security experts, noting that ICT is the current lead on cyber security. Nonetheless, their team is working to learn more about this topic and they would be open to discussions about adding cyber security experts to their team.

The committee also commented on the success that the Counter Fraud Team has had in exceeding the targets that have been set. With that in mind, Councillor Fry asked if higher targets should be considered. Head of Financial Services stated that although there could be some room to raise targets, this would need to take into consideration the income generations that are one-off occurrences and will not happen year on year.

Councillor Muddiman asked if there is any benefit to the Counter Fraud Team being made into a subsidiary. The Head of Financial Services responded that there had been discussions about this possibility, but that this would cost a considerable amount of expense to set up and advised that the current arrangement of the Counter Fraud Team is sensible to maintain.

Recommendations: Two recommendations came from the discussion of this report. The committee noted that they will consider reviewing the targets being set for the Counter Fraud Team. The committee also noted that they would like to have a fraud awareness training session for this committee and its members.

The Committee thanked the Senior Investigations Officer for presenting the report and
The Audit and Governance Committee noted the report.

5. Annual Report and Statement of Assurance 2023/24

Yasmin Ahmed, an Internal Auditor from BDO, presented the report which updated the Committee on the work undertaken by the internal audit and provided an overview of the effectiveness of the controls in place. It was noted that improvements have been made from previous years and that Oxford's position is on par with other councils.

Nigel Kennedy, Head of Financial Services, stated that this is a successive year of Oxford being in this position and that although the term moderate is used, it shows that the Council is operating as it should be, almost across the board.

Councillors Ottino and Smith asked questions regarding the debts mentioned in the report and what concerns the Auditors have regarding these debts. The Internal Auditor responded by stating that some of these relate to ODS but that this would be covered in more detail in the discussion of Agenda Items 9 a and b.

Councillor Ottino also asked why transactions are taking so long to review and approve. In response, the Internal Auditor stated that capacity issues were a central reason for this. Now that an invoice system has been implemented, this will help to address this issue and had recommended that sanctions be put in place, in the event that transactions are not being approved in a timely manner.

The Head of Financial Services also stated that sanctions are being implemented when officers fail to approve transactions in a timely manner and agreed that the invoice system is helping to ameliorate the issue.

Councillor Roz asked if a recommendation is being made that procedures regarding the transactions be reviewed and if so, would that discussion come to this committee.

In response, the procedures are being reviewed and expectation of Managers across the Council.

The committee noted that they wished to discuss the avenue to fraudulent behaviour which is possible through purchase cards in their next meeting.

The Audit and Governance Committee noted the report.

6. Risk Management Report as at 30 June 2024

Bill Lewis, Financial Accounting Manager, introduced the report and stated the report differentiates between the corporate and service registers, presented an overview of the details of the risks and said that some risks have moved to be higher, while others have decreased in severity. Additionally, he stated that his team are also updating the corporate business continuity plan and the committee could expect to hear about this in future.

Councillor Fry requested further information regarding the two new red risks, regarding quality of data and data management systems.

In response, Emma Gubbins, Corporate Asset Lead, stated that these risks relate to the lack of an asset management system. She stated that were they have data, it is difficult for them to store and analyse the data, because they do not have the necessary system for this. They are working to procure a suitable management system and are looking to have a contract in place for January 2025. Due to the time needed to upload all relevant data, they hope to have the system in use by April 2025 and to help to alleviate some of the risk detailed in the report.

The Corporate Asset Lead went on to discuss the risks related to recruiting and maintaining staff. Nonetheless, she said that from September, they will be fully staffed in the corporate property team. In property services, they continue to struggle to retain staff, due to recent and ongoing changes in legislation.

Additionally, it was discussed the risks detailed in the report relating to condition surveys and their need to procure a management system, to improve data interpretation. Due to this, the management system needs to be in place before condition surveys are widely undertaken.

Councillor Fry asked if the new system would move at least two of the risks examined in the report from red, to a less significant risk category. The Corporate Asset Lead responded that the new management system would move the two new red category risks out of that high risk level.

Councillor Ottino asked about the procurement of a management system and if there is anyway for this to be done more quickly. In response, they could not develop their own system, because this would be too time consuming. However, there is a wide range of management system products available and they have employed a consultant to help them determine which system is the most suitable for their needs.

Councillor Fry asked if, in practice, the risk regarding proper procedural practice occurred very frequently. Bill Lewis responded that although that risk is always present, it is not a regular occurrence. However, with the new legislation that is coming in, this could become more frequent and they are working to prepare for this eventuality. The Head of Financial Services agreed that the challenges that relate to this risk do not occur often, but that the new regulations could lead to increases in these issues occurring.

Councillor Smith asked what assurances the committee would be given regarding the new regulations and how the procurement team are preparing for the implementation of these regulations. In response, Nigel Kennedy stated that the procurement staff are on several training sessions and they are reviewing their contracts in order to prepare. He also stated that they are aware that a substantial amount of work will still be necessary. Responding to a question from Councillor Ottino, the Head of Financial Services said that extra trainings will be needed and that he will discuss the possibility of extra staff with the Head of Procurement.

The difference between existential and manageable risks was raised by Councillor Fry. He asked if it would be useful to distinguish between those risks that can be controlled and those which cannot. The Financial Accounting Manager responded that they can try to separate these out, but that there is some inevitable crossover.

Recommendation: The committee recommended that in future reports, a distinction is made between risks which are and are not under the control of the Council.

The Audit and Governance Committee noted the report.

7. External Auditors

Adrian Balmer, an External Auditor with Ernst & Young, provided the Committee with a verbal update on the current audit and he advised the Committee of the three phases that had been developed to deal with the backlog agreed by the Department of Levelling Up and Communities and the Financial Reporting Council as follows:

- Clearing the backlog and historic audit opinions up to and including the financial year 2022/23. The original deadline for this was 30 September 2024, but this has been delayed due to the general election and upcoming legislation.
- Create backstop dates to mitigate against future backlogs of audits in future years.
- Addressing system challenges in the local audit system and embedding timely financial reporting and audit reporting deadlines.

Councillor Fry raised the point that for the 21/22 and 22/23 years, an external audit had not been completed. This was raised in the previous Audit and Governance Committee meeting and Councillor Fry asked about the assurances that could be provided by having an audit disclaimer.

The External Auditor responded that each time a delay occurred, it became increasingly difficult to get back into a workable cycle. This cycle is what they are currently working towards.

Councillor Fry asked when the deadline for the 23/24 audit is and Preeti Malik, an External Auditor with Ernst & Young, stated that she is managing the 23/24 audit and that they are looking to commence fieldwork for this in August and will be working on this through January 2025. The External Auditor stated that although there have been delays, they have a positive view for the 23/24 audit and the audit workshop they had earlier in the year, which educated on quality of audits and timely delivery, and which was well received.

Councillor Smith stated that it was disappointing for the Committee to not have assurances for previous years' accounts and asked when they expect to conclude the 23/24 audit and for further information on how that audit would be conducted.

In response the audit work will begin in August. She said that it will not be a light touch audit and that it will include a value for money examination.

The Financial Accounting Manager contributed to this discussion by stating that for the 21/22 and 22/23 years, a value for money evaluation will be undertaken and that this will continue into the 23/24 audit. It was also noted an added level of uncertainty because the backstop date has not been set and this date is unknown until the legislation comes out.

It was confirmed the 23/24 audit will be a consolidated audit of the Council and its companies.

A question regarding the fees for the 23/24 audit was raised by Councillor Smith and she asked if these would be higher than in previous years. The Financial Accounting Manager expected the fees for the 23/24 audit will be higher and assured the committee that further information regarding the fees can be found online.

The Committee thanked the external auditors and noted that they wished to be provided with a greater level of detail in the September meeting.

The Audit and Governance Committee noted the report.

8. Internal Audit Progress Report - July 2024

Yasmin Ahmed, an Internal Auditor with BDO, presented the report which informed the Committee of progress made against the 24/25 internal audit plan; in terms of progress, all reviews of 23/24 had been completed. Additionally, planning for 24/25 is underway and a QL review is planned for the 24/25 review.

In terms of data analytics, the Internal Auditor stated that they try to include this each year in their review. They reviewed the approval and review processes and found that there were clear processes in place for card transactions. Despite this, they also found that transactions were not approved in a timely manner, sometimes with a delay of over

a year. Additionally, they found that with accounts payable, there was a significant amount of outstanding debt, which was recommended to be cleared.

For 23/24, Yasmin said that they reviewed about 30,000 transactions, which was a significant amount of data. They will need to go back to this data again to see where the outstanding debt is and if it is in a better position in the next review.

Nigel Kennedy, Head of Financial Services, stated that they had already made a substantial provision for back dated debt. They will be able to return to the matter of backdated debt, in greater detail, at a later meeting of the committee. Additionally, there is a need to map the credits to the outstanding debt and that there are some debts still being reviewed by the legal team.

Councillor Smith asked if any of the debts were incurred because invoices were sent to organizations which were unable to make payments via online banking. The Internal Auditor responded that this was the case with some of the debts analysed. She also stated that when they come back to this matter in the next review, they expect the debts to be lower.

Yasmin Ahmed also discussed their assessment of the Council's implementation of the selective licensing scheme. It was found that the Council has good procedural guidance on this matter, but that applications are not being processed in a timely manner. Although the Council has been proactive in finding a solution to this issue, that there remains a backlog of 6,000 applications to be assessed by 2027 and expected to meet their target for property inspections by 2027.

David Butler, Head of Planning & Regulatory Services, stated that after they launched the scheme in 2022, they had about 35% more applications come through than they had anticipated and that despite the backlog, they believe they will be able to work through this before the end of the scheme. It was noted that there were staffing issues and were not as far along as they would have liked to be by this point, but they believe they will get to where they need to be by 2027.

Wendy Rollings, Interim Regulatory Services Manager, stated that their target is to issue licenses in 12 months and that this target was based on having 20 officers. Despite having only 10 officers, they have been able to meet their targets and believe that they will meet the larger targets set for 2027.

Councillor Smith asked what proportion of license applications are being refused because properties are found to be in poor condition. The Interim Regulatory Services Manager stated that because properties are not routinely inspected at the moment, they have not rejected applications for that reason.

In response to a question from Councillor Fry, the team is currently exceeding their current monthly KPIs and they are forecasting that it will take them 9 months to clear the backlog.

Councillor Smith stated that she had concerns regarding the lack of property inspections taking place. In response, the Interim Regulatory Services Manager stated that they are behind on their inspection targets and that their current focus is to inspect on a reactive basis.

The Audit and Governance Committee noted the report.

9. Internal Audit Follow Up Report - July 2024

Yasmin Ahmed, an Internal Auditor with BDO, presented the report which sought to provide a summary of the status of implementation of recommendations arising from reports issues in the past three years. In terms of incomplete recommendations, she stated that there is one regarding income generation and one concerning housing rates; that these will be followed up on at the next Audit and Governance Committee meeting.

The meeting then moved into a confidential session, to discuss the confidential papers relating to this report.

The Audit and Governance Committee noted the report.

10. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 08 April 2024 as a true and accurate record.

11. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 8.05 pm

**Chair
September 2024**

Date: Wednesday 25

When decisions take effect:
Cabinet: after the call-in and review period has expired
Planning Committees: after the call-in and review period has expired and the formal decision notice is issued
All other committees: immediately.
Details are in the Council's Constitution.