

AUDIT and GOVERNANCE COMMITTEE – 19 September 2012

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 10 September 2012

The meeting was attended by:

Dr. Jones – Chairman; Cllr. Wilmshurst; Cllr. Mathew; Cllr. Smith; Sue Scane; Ian Dyson; Claire Phillips.

Part meeting only: AWG4 Mark Kemp, Andrew Pau, and Nicola Leavesley; AWG5 Jonathan Clapton, Karen Lister and Nick Graham; AWG6 Stephen McHale and Sean Collins.

Observer: Cllr. Sanders; Cllr. Couchman; Cllr. Darke

AWG WORK PROGRAMME ITEMS

The main business items of the meeting were as follows:

AWG 4 Environment & Economy (E&E) Risk Management

AWG 5 Property Lease Renewals

AWG 6 Accounts Payable / Procure to Pay Project

AWG 7 Risk Management Report

AWG 8 Internal Audit Report

MATTERS ARISING FROM THE DECISIONS OF THE AUDIT & GOVERNANCE COMMITTEE 4 JULY 2012:

Named Substitutes for AWG Group

It was agreed on 4 July that Cllr. Shouler would be the substitute for Cllr. Mathew on the AWG. As Cllr. Shouler is no longer a member of the Audit & Governance Committee, the Committee should determine a replacement as the named substitute for Cllr. Mathew.

Risk Management Health Check

It was noted in the Risk Management report (AWG7) that Zurich are concluding their "risk management health check" so their report will be presented to the Audit & Governance Committee at the meeting on 21 November 2012.

External Inspection Reports

The AWG was expecting a report setting out how external inspection reports used to inform the AGS are received and monitored; in particular how would the Committee be informed at an early stage if there are any governance issue arising from the reports, and what assurance can it get that areas identified for improvement are being considered and actioned on a timely basis. The Chief Internal Auditor stated that a formal process was to be established and will be considered by the Corporate Governance Assurance Group in September. The process will be presented to the AWG for comment at the November meeting.

MATTERS FOR REPORT TO THE AUDIT COMMITTEE:

Matters Arising:

SAP Roles: The Group was updated by the Chief Internal Auditor. A supplier has been selected to investigate and review separation of duties conflicts within existing SAP roles. We expect this work to commence over the next month.

AWG4 E&E Risk Management

The Group received a report outlining the risk management process within E&E, including, as requested by the Audit & Governance Committee, the risk management process applied in two projects; Kidlington Waste Recycling Centre; and, Cogges Link Road. The Group welcomed the report and noted that management had identified weaknesses and put in place actions for improvement; however the Group requested further information for consideration before it can conclude on the adequacy and effectiveness of the risk management process applied. The Group has asked officers to provide the following information by 30 September 2012:

- The timelines of exactly when the risk of the "ransom strip" was identified and where it was documented within the risk management process. The Group wants to establish how transparent and effective the process is in escalating issues on a timely basis to Senior Management;
- It was identified that unsubstantiated information had been used when evaluating a residual risk as "low". The Group wants to know what quality control is in place to stop this occurring again.
- How is the Cabinet Member involved in the risk management process, and informed of high risks and emerging issues.

AWG5 Property Lease Renewals

The process for lease renewals was reported to the Group, including an update on the outstanding lease renewal in respect of Knights Court. It was identified that previous information provided to the Audit & Governance Committee was incorrect; a new lease agreement is not yet in place, so in accordance with legal advice and landlord and tenant best practice, (and consistent with other tenancy managed by the Council), no rent has been charged since the original lease expired. The Group noted the legal position but was concerned that with in excess of an estimated £220,000 of uncollected rent, there appeared little incentive for tenants to agree lease terms on a timely basis. The Deputy Head of Law and Governance in conjunction with Property and Facilities will investigate whether there are alternative arrangements that can be considered so that rent income can be secured without compromising the Council's legal position as landlord.

AWG6 Accounts Payable / Procure to Pay Project

The Group received the latest performance data on the accounts payable activity reported previously by Internal Audit as areas of unacceptable control. The Group was informed that areas of noncompliance are being investigated to identify where users may require additional support or training, or where exceptions should be reported to the Senior Managers for addressing. It was confirmed the performance data will continue to be extracted and monitored on a monthly basis. It was also confirmed that the project initiation document, (PID), for the Procure to Pay Project has been agreed, with an expected delivery date of end of October 2012. The outcome of the project will be recommendations for improvements that can be made to the Procure to Pay process, and target levels for the various performance

measures. At this stage timescales for implementing the recommended improvements cannot be given, but the Group was told that it was expected within the recommendations there would be some "quick wins" that could be achieved on a short timescale. Officers confirmed the areas of control weakness set out in the Internal Audit report are being considered within the scope of the Project. The Group asked for copies of the PID to be circulated, and for the recommendations arising from the project to be presented at the next meeting. It was also agreed that the Audit & Governance Committee development session, prior to the meeting in November 2012 should focus on the development of the Procure to Pay process. The AWG will continue to monitor this until assured that all the control issues identified in the audit report have been mitigated.

AWG 7 Risk Management

AWG 8 Internal Audit Report

There are no matters arising from these reports.

Work Programme

The updated work programme is attached as annex 1 to this report.

Recommendations

The Committee is RECOMMENDED to note the report

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

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September 2012

ANNEX 1

AUDIT WORKING GROUP WORK PROGRAMME 2012/13

2012

Thursday 8 November

- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – Kathy Wilcox
- Annual Governance Statement Process – annual review of the assurance framework - Peter Clark
- Accounts Payable / Procure to Pay Project - Sean Collins / Stephen McHale

2013

Thursday 14 February

- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Quarterly Update AGS Action Plan – TBC
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson

Wednesday 27 February

SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE

- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 10 September 2012
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