

AUDIT and GOVERNANCE COMMITTEE – 24 FEBRUARY 2016

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Thursday 4 February 2016

The meeting was attended by:

Chairman Dr Geoff Jones; Cllr Sandy Lovatt; Cllr Roz Smith; Cllr Jenny Hannaby; Ian Dyson, Chief Internal Auditor; Nick Graham, Chief Legal Officer and Monitoring Officer; Joseph Turner (minutes).

Part Meeting:

AWG 14:42 Neil Shovell, Audit Manager; AWG 15:43 and 15.44 Sarah Cox, Audit Manager and Tessa Clayton, Principal Auditor; AWG 15.44, Mark Kemp, Deputy Director Commercial.

Apologies:

Cllr David Wilmshurst; Cllr Nick Hards; Lorna Baxter

Matters to Report:

AWG 15.42 Corporate Risk Register

The Corporate Risk Register has been reviewed and refreshed by CCMT, and agreed by the Delivery Board. The Group reviewed the register and was informed on the process for monitoring the risks and the target risk scores for reducing risks to the tolerated level. In reviewing the risks and the risk scores, the Group challenged whether the risk relating to Adult Social Care needs, reportedly at a level to be tolerated, is correct, and has asked for further information that supports the CCMT assessment. The Group also noted that the register presented was produced in December 2015, and therefore queried whether the risk of "helping people to help themselves" currently at the target risk score, would be impacted by the Councils budget to be agreed in February. The Group agreed to receive an update as part of the next quarterly risk management report.

AWG 15.43 Internal Audit Update

The Group received an update from the Chief Internal Auditor. The outcome of the audit of Highways was considered under agenda item AWG 15.44. There were no material issues identified in the report. The action tracking process appears to be operating well, with high levels of implementation. The update on fraud activity confirmed a number of small scale fraud investigations are on-going and that where appropriate Police are involved underpinning a zero tolerance approach.

AWG 15.44 Highways Contract Payments Audit

The findings from the recently concluded audit of the Highways contract, which focussed on the payments process, were presented to the Group. The overall opinion from Internal Audit was "Amber"; however in relation to accuracy and timeliness of payments it was "Red". The Deputy Director attended the AWG and was able to provide an update on the management action that is being taken to address this issue. The Group was told that Skanska are currently developing a new

system to replace their "Inform" software. This is being managed as 'Project Waterfall', and OCC management have been clear that the new system must resolve cost accuracy issues and both Skanska and OCC are working closely together to address this.

Whilst the Group was in part reassured by the management actions being led by the Deputy Director; it was concerned at the findings in the audit that reconciliations between payments made to Skanska against the amount invoiced are no longer undertaken and that at Task Order closedown, the amount already paid as quoted by Skanska can no longer be accurately checked. This is also due to the Contracts team no longer having access to back-end SAP. The Group noted that was an issue arising from the transfer of finance services to the Hampshire IBC, and although not related to the IBC system was an unresolved issue arising Business Readiness project. It was acknowledged that management are revising their control procedures to ensure checks over highways payments can be completed going forwards; however, the Group was very concerned at this consequence of the business readiness and has requested more information regarding where else this could have impacted in the organisation. The Chief Internal Auditor confirmed there are several audits on going which are covering the key financial systems that should pick up these issues, and will be reported back to the AWG and Committee during April and May.

The date of the next meeting is Thursday 7 April 2016, 2:00-4:00.

The Committee is recommended to note the report.

LORNA BAXTER
Chief Finance Officer

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