

Minutes

of a meeting of the

Audit and Governance Committee



held at 6.30pm on Wednesday 13 January 2010
at the Guildhall, Abingdon

Open to the Public, including the Press

Present:

Members: Councillor Dudley Hoddinott (Chair), Andrew Crawford (Vice-Chair), Terry Cox, Bill Melotti, Janet Morgan, Mike Murray and Judy Roberts

Substitute members: Councillor Tony de Vere (in place of Councillor Jerry Patterson)

Officers: Steve Bishop, Geoff Bushell, Steve Culliford, Andrew Down, Paul Howden, William Jacobs, Penny O'Callaghan and Ann Sadler

Number of members of the public: Nil

AG.32 Notification of substitutes and apologies for absence

The attendance of substitute members who had been authorised to attend in accordance with Standing Order 17(1) was recorded as referred to above with apologies for absence having been received from Councillors Julia Bricknell, Jerry Patterson and Robert Sharp. An apology for absence was also recorded from Maria Grindley of the Audit Commission.

AG.33 Minutes

The minutes of the committee meeting held on 17 September 2009 were adopted and signed as a correct record.

AG.34 Declarations of interest

None

AG.35 Urgent business and chair's announcements

None

AG.36 Statements, petitions and questions from the public relating to matters affecting the audit and governance committee

None

AG.37 International financial reporting standards: update on progress

The committee received and considered report 90/09 of the Head of Finance that highlighted the changes that would be necessary to the way the council prepared its financial statements and to the resource implications.

The new International Financial Reporting Standards had been introduced and the council was required to comply with these when submitting its 2010/11 financial statements for audit. This would allow comparisons with the financial performance of other organisations.

Implementing the new standards required staff resources to implement the new systems. Two growth bids had been submitted for 2010/11. The first was for additional support for the accountancy team in 2010/11; the second was for an asset accounting system.

The committee expressed concern at the amount of work involved in implementing the new standards but recognised that the council had no alternative but to comply.

RESOLVED

that the report be accepted but the committee notes with regret the extra burden the new standards will place on the council's accountancy section.

AG.38 Business continuity strategy

The committee received and considered report 91/09 of the Head of HR, IT, and Customer Services. The report proposed a new business continuity strategy. This had been prepared jointly with South Oxfordshire District Council.

Councillors welcomed the strategy and noted that reciprocal arrangements were proposed between the councils for emergency operation of services. It was noted that Wantage Civic Hall was a site that would be used by South Oxfordshire in the event of an emergency. This was charged on a use-only basis. Members noted that a reciprocal arrangement was not yet in place for the Vale's services. The committee asked that the Executive's attention was drawn to this and to think about costs as there was no reciprocal arrangement at present.

RESOLVED

that the Executive be recommended to adopt the business continuity strategy and consider the costs of providing an emergency venue to South Oxfordshire District Council as there is no reciprocal arrangement at present.

AG.39 Internal audit activity report

The committee received and considered report 92/09 of the Audit Manager that set out detailed audits of council services completed during the third quarter (October to December) of 2009/10. There were eight audit reports. One had received full assurance rating, five were rated satisfactory, one rated satisfactory/limited, and one rated limited. There were also four follow-up reports, three of which had received a satisfactory assurance rating, and one had received limited assurance. The committee concentrated on those audits where less than satisfactory assurance had been given.

Value for money in procurement

This audit had resulted in a limited assurance rating. In the absence of the auditor, the committee questioned the Organisational Change Group Manager who was involved in the procurement process for some contracts. The manager reported that the safeguards that Internal Audit had believed were not in place, had been in place for some time. The auditor's report had not been conclusive in sections 9 and 10, suggesting that key performance indicators had not been included in one contract. The committee asked for Internal Audit to state whether it believed existing measures were adequate.

In section 13, the committee was concerned that the signed cash receipting software contract document appeared to be missing. This needed recovering, checking by Internal Audit, and filing securely.

The committee also discussed whether a legally binding contract could be made by email rather than by a signed and sealed contract document. It was concluded that the Head of Legal and Democratic Services should be asked to determine this. The committee also questioned the length of time taken to seal contracts. It was suggested that a time limit should be agreed with the Head of Legal and Democratic Services and monitored by the management team.

The committee considered that the implementation date was too late in section 13 relating to the contract management actions; councillors asked that an earlier date should be agreed between the service manager and the Head of Legal and Democratic Services.

In section 14, councillors questioned whether a project initiation document was completed and signed for the lean consultancy project, whether the documentation was compliant with the council's methodology, and whether Internal Audit was satisfied with the outcome.

With regard to the tender process (section 16), members asked the officers to clarify whether there was a factual inaccuracy in the audit report about tender evaluation or whether there was a material disagreement between the auditor and the service manager. It was not satisfactory to report ambiguous or inconsistent statements in the audit report. Councillors also asked that the project managers should be

reminded of the protocol of evidencing project board decisions, whether an actual board meeting was held, or a virtual meeting was held by email or other means.

Councillors queried whether the audit report reference to quality assurance standards in section 18 meant the ISO 9001 standard. The director agreed to find out.

The committee expressed its concern at the number of unanswered questions arising from this audit due to there being no auditor present at the meeting and asked that the questions were answered for the next committee meeting.

Housing and Council Tax benefits 2009/10

This audit resulted in a satisfactory/limited assurance rating. However, it was noted that there was no disagreement with the auditor's recommendations. Councillors asked about the financial effect on the council of recovering outstanding benefits debt. The officers agreed to investigate the cost of debt recovery.

Rent accounting

Although this audit achieved a satisfactory assurance rating, the committee questioned the recommendations in sections 2 and 6 of the auditor's report. Councillors were unsure whether the process weaknesses that gave rise to the reconciliation discrepancies had been resolved or whether there was still a level of risk. Councillors sought an explanation of the current position and any actions planned to address any remaining weaknesses. It was reported that although running a separate system to manage the rent accounts had caused some issues, these were not significant but would continue to be monitored. The option to transfer back all housing debt to the financial management system was noted.

Bank reconciliation process 2009/10

This audit received a satisfactory assurance rating but councillors questioned the time lag in completing bank reconciliations. It was noted that the strategic director was working with Capita to reduce the delays but this work was competing with higher priorities. There would be a follow up audit to monitor actions.

General ledger 2009/10

Again, this audit received a satisfactory assurance rating but councillors questioned what action had been taken on the recommendation to stop former staff accessing the council's systems. It was agreed that line managers needed to be reminded to properly comply with the existing staff exit procedures so that ex-staff were prevented from accessing council systems immediately they left the council's employment.

Human resources follow-up audit 2008/09

The committee discussed the impending new regulations on criminal records bureau checks. The strategic director agreed to obtain reassurance that Human Resources would implement these.

The committee commented generally on the audit reports presented. Councillors requested that in future, where audit recommendations were not agreed by the service manager, there should be an additional response from Internal Audit.

RESOLVED

- (a) that the report be noted; and*
- (b) that the Audit Manager be requested to answer the outstanding questions in time for the next meeting of the committee.*

AG.40 Internal audit management report

The committee received and considered report 93/09 of the Audit Manager. This reported on Internal Audit management issues, summarised progress against the Audit Plan for 2009/10, and summarised the priorities and planned work for the fourth quarter.

It was noted that the Audit Manager post would be temporarily vacant and plans were in place to cover this role during this period. It was noted that the officers would not put the council in a position where it was under threat from extra audit costs from the Audit Commission through not being able to complete the necessary work. The management of the payroll service would also be transferred from the Audit Manager to the Head of Finance.

Councillors questioned whether the auditor, who would be acting up to the manager role, would be able to have the usual audit independence safeguarded during these interim arrangements. The strategic director agreed to formally remind the auditors that they had the right to escalate any concerns direct to the head of service, the strategic director, the Chief Executive, and/or the committee chair.

The committee was content with the proposed arrangements but noted that lower priority audits might not take place in the forthcoming year. A draft Audit Plan for 2010/11 would be submitted to the next committee meeting for approval.

RESOLVED

that that the report be noted.

AG.41 Draft whistle blowing policy and draft anti-fraud and corruption policy with associated response plan

The committee received and considered report 94/09 of the Head of Legal and Democratic Services. The report asked the committee to approve a whistle blowing policy and an anti-fraud and corruption policy. The committee welcomed the policies but believed that it was important for Human Resources staff to be trained in how the policies should be managed.

RESOLVED (by eight votes to nil)

that the whistle blowing policy and the anti-fraud and corruption policy be approved.

AG.42 Continuation of meeting

The committee considered whether to adjourn the meeting in view of the lateness of the hour or whether to continue for up to 30 minutes to complete its remaining business.

RESOLVED

that in accordance with Standing Order 27(5), the meeting do continue for up to 30 minutes to complete the remaining business on the agenda.

AG.43 Annual audit letter 2008/09

The committee received and considered the annual audit letter 2008/09 from the Audit Commission.

The committee noted that apologies had been received from the auditor who was unable to attend the meeting due to adverse weather conditions. In the auditor's absence it was reported that the Audit Commission was content with the council's performance and generally, all the work the Audit Commission carried out was unqualified.

The committee was pleased with the report, believing that it reflected well on the council's work in difficult circumstances.

RESOLVED

that the annual audit letter 2008/09 from the Audit Commission be welcomed.

AG.44 Code of corporate governance

The committee received and considered an agenda report requesting the approval of a code of corporate governance. This has been prepared following a recommendation from the Audit Commission that the council should adopt a code. At its meeting on 9 December, the council delegated authority to this committee to agree a code of corporate governance.

The committee approved the code, noting that it followed best practice and would contribute towards the council's use of resources audit score. However, councillors believed it would be difficult to measure outcomes against the code.

RESOLVED (by five votes to nil with three abstentions)

that the code of corporate governance be adopted for inclusion in the council's constitution.

AG.45 Exclusion of the public, including the press

RESOLVED

that in accordance with Section 100A(4) of the Local Government Act 1972, the public including the press be excluded from the remainder of the meeting to prevent the disclosure to them of exempt information, as defined in Section 100(1) of Part 1 of Schedule 12A, as amended, to the Act when the following items are considered:

Cash Office
(Category 3)

Summary of exempt minutes considered at the Audit and Governance Committee meeting on 13 January 2010

AG.46 Cash office

The committee considered options to change the cash office's management arrangements but decided against doing so, subject to the implementation of procedures.