

Minutes

of a meeting of the

Audit and Governance Committee



held at 6.30pm on Wednesday 30 June 2010
at the Guildhall, Abingdon

Open to the public, including the press

Present:

Members: Councillors Dudley Hoddinott (Chair), Richard Farrell (Vice-Chair), Andrew Crawford, Janet Morgan, Mike Murray, Judy Roberts, Robert Sharp, and Richard Webber

Ex-officio member: Councillor Tony de Vere

Officers: Steve Bishop, Steve Culliford, William Jacobs, Steve Lawrence, Marcia Slater and Bob Watson

Number of members of the public: Nil

AG.1 Notification of substitutes and apologies for absence

Councillors Terry Cox and Bill Melotti had sent apologies for absence. Maria Grindley from the Audit Commission had sent her apologies also.

AG.2 Minutes

RESOLVED

To approve as a correct record the Committee's minutes of 17 March 2010 and agree that the Chair signs them.

AG.3 Declarations of interest

Councillor Richard Farrell declared a personal interest in the item on treasury management, as he was an ex-employee of Investec, the council's appointed investment manager (minute AG.70 refers). Councillor Mike Murray declared a personal interest in the same item as he had been a client of Investec.

AG.4 Urgent business and chair's announcements

In order to build the costs into the council's budget, the Chair accepted an item of urgent business relating to the audit and inspection fee 2010/11 (minute AG.73 refers). The Chair also raised another item of urgent business relating to progress on the council's implementation of the new international financial reporting standard (minute AG.74 refers).

AG.5 Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee

None

AG.6 Business continuity - update

The Committee considered report 13/10 of the Head of HR, IT, and Customer Services. This updated councillors on progress with developing and improving the council's business continuity arrangements. The report also suggested a revised reporting frequency on business continuity and risk management matters.

Progress included revising business continuity plans, commencing work on a crisis management plan and setting up an action team. There would be detailed business continuity arrangements also. This included in-house services and those provided through contractors or partnerships. Business continuity also included recovery of information technology systems in the event of disruption. A plan was in place to manage this.

Councillors noted that internal audit had looked at disaster continuity arrangements and had given "full assurance" in April 2009. The Committee was content with the progress made. Councillors recognised that, as there were risk management and business continuity procedures across the council and the process was almost complete, the reporting frequency could be reduced to once a year.

Councillors requested that in case of a disruption to the council's telephone system, officers should investigate a recorded message to inform the public of the problem.

RESOLVED (by six votes to nil)

- (a) To note the progress made in developing and improving the council's business continuity arrangements to meet the needs of shared working with South Oxfordshire District Council and the associated revised management structure; and
- (b) To introduce an annual reporting frequency for business continuity and risk management matters.

AG.7 Internal audit annual report 2009/10

The Committee considered report 14/10 of the Head of Finance. This reported on the work of the council's internal audit service during 2009/10 and advised on the overall adequacy and effectiveness of the internal control environment. The committee noted the Head of Finance's unqualified opinion of satisfactory assurance with the council's risk management, control, and governance processes. He believed the council had a sound system of internal control but found some weaknesses that might put some system objectives at risk. Service managers had welcomed the control improvements suggested by internal audit.

The Committee agreed with the Head of Finance that the internal audit team had performed well.

RESOLVED

To note the report.

AG.8 Internal audit activity first quarter 2010/11

The Committee considered report 15/10 of the Head of Finance. It summarised the outcome of recent internal audit activity.

Appended to the report was one audit report on how the council managed creditor payments in 2009/10. Internal audit awarded a limited assurance rating only. The Committee noted that the actions outstanding from the last audit were complete and monitored monthly. The audit had highlighted a problem with aged-debt. However, the results showed an exaggerated debt due to the audit being undertaken the week the precepts were being paid to parish councils, making the debt abnormally high.

In answer to a question from a councillor, the audit reports with a satisfactory or full assurance rating would be available to the committee on the council's website. The officers would notify councillors by email when the reports were available and would provide a link to the relevant webpage. All councillors were encouraged to access the council's intranet.

RESOLVED

To note the report.

AG.9 Internal audit management report first quarter 2010/11

The Committee considered report 16/10 of the Head of Finance. This reported on internal audit management issues, summarised progress against the audit plan, and set out priorities for quarter two in 2010/11. Councillors noted that a new auditor would start shortly.

The report referred to audits undertaken for South Oxfordshire District Council solely and jointly with the Vale. Councillors asked that the review of the constitution should

consider how far Vale councillors could discuss matters relating to South Oxfordshire, when comparing performance to the Vale.

RESOLVED

- (a) To note the report; and
- (b) To invite the Constitution Advisory Group to debate how far Vale councillors can discuss matters relating to South Oxfordshire District Council, when comparing performance to the Vale.

AG.10 Treasury Management - review of activity 2009/10

Councillors Richard Farrell and Mike Mackay both declared personal interests in this item. Complying with the council's standing order 34, they remained in the meeting for this item.

The Committee considered report 17/10 of the Head of Finance, which reviewed treasury management activity in 2009/10. The Chartered Institute of Public Finance and Accountancy had recommended that the council's treasury management activity should be scrutinised by a committee other than the Executive. The Audit and Governance Committee had this responsibility. The Executive would consider a similar report on 2 July.

The report highlighted the performance of cash invested by the in-house team and that managed by Investec, the council's appointed investment manager. Performance was also analysed by Butlers, the council's investment adviser. The in-house team achieved a return of 1.07 per cent, while Investec achieved 1.31 per cent. Butlers concluded that the return on investment was lower than initially anticipated due to low interest rates. However, Butlers did not recommend any changes to the council's approach as this allowed a balance of top-quality investments and good liquidity.

The committee thanked the officer for the report but asked where it showed the loss of investment in the Icelandic bank, Landsbanki. The officer reported that this had occurred in the previous year. The council was writing off the losses over several years although it hoped to receive compensation for the majority of the loss. The committee considered that the report should cover both the good and bad news and recommended the Executive that the 2009/10 report should reflect the loss of investment.

The committee congratulated the in-house team for its performance in 2009/10.

RESOLVED (by eight votes to nil)

- (a) To note the return of cash invested during 2009/10 and the balances of funds at 31 March 2010 and congratulate the in-house team on its performance;
- (b) To note the prospects for the return on cash investments in 2010/11; and

- (c) To recommend the Executive that treasury management reports should reflect both the good and bad news and that the 2009/10 report should reflect the loss of investment in the Icelandic bank, Landsbanki.

AG.11 Statement of accounts 2009/10

The Committee considered report 18/10 of the Head of Finance, which sought approval of the draft statement of accounts 2009/10. The Accounts and Audit Regulations 2003 required the council to approve the draft statement of accounts for external audit by 30 June each year. The committee had authority to approve the draft.

The committee reviewed the draft and asked the officers to insert the correct figure for the total contribution to the pension scheme.

The statement of account included the annual governance statement also. The committee asked for changes to the paragraph referring to testing anti-fraud and corruption measures. The annual governance statement also included Audit Commission assurances on the council's governance framework; the Audit Commission asked for their removal.

RESOLVED (by eight votes to nil)

To approve the "statement of accounts 2009/10" for audit.

AG.12 Audit and governance work programme

The committee reviewed the remainder of its work programme for the 2010/11. The added one item for 15 September 2010, that being the Audit Commission's annual governance statement.

RESOLVED

To agree the remainder of the 2010/11 work programme, including the Audit Commission's annual governance statement on 15 September 2010.

AG.13 Audit and inspection fee 2010/11

The Audit Commission had advised the council of its likely audit and inspection fee for 2010/11. This was set out in a letter circulated to all committee members. Anne Ockleston, from the Audit Commission, reported two changes to the detail set out in the letter. Firstly, the new coalition government had cancelled work on the comprehensive are assessments for local authorities. Secondly, this meant that the scored use of resources assessment would not take place also. This meant that the audit and inspection fee would be lower than shown in the letter, that being £108,665. However, the Audit Commission warned that another assessment could replace the scored use of resources assessment. Councillors noted that the Audit Commission would update the committee in September.

RESOLVED

To note the audit and inspection fee for 2010/11.

AG.14 International financial reporting standard

The Chair asked for a report to the next committee meeting on how the council would implement the new international financial reporting standards. He wished to know if there was an implementation plan, which officer was responsible for implementing the plan, and did the council have the capacity to undertake this work.

RESOLVED

To request that the officers report to the next committee meeting on 15 September 2010 on implementing the new international financial reporting standards.

Exempt information under Section 100A(4) of the Local Government Act 1972

None

The meeting rose at 8.16 pm