

# **Minutes**

of a meeting of the

## **Audit and Governance**

### **Committee**



held at 6.30pm on Wednesday 12 January 2011  
at the Guildhall, Abingdon

**Open to the public, including the press**

#### **Present:**

Members: Councillor Dudley Hoddinott (Chair), Terry Cox, Andrew Crawford, Bill Melotti, Janet Morgan, Mike Murray, Judy Roberts, Robert Sharp and Richard Webber

Substitute member: Councillor Samantha Bowring (in place of Councillor Richard Farrell – Vice-Chair)

Ex-officio member: Councillor Tony de Vere

Officers: Steve Bishop, Steve Culliford, Paul Howden, William Jacobs, Amna Javaid, Nilesh Parma, Marcia Slater, Bob Watson and Chris Webb

By invitation: Anne Ockleston (Audit Commission) and Darren Keen (Capita)

Number of members of the public: Nil

#### **AG.26 Notification of substitutes and apologies for absence**

Councillor Richard Farrell had sent his apologies for absence and appointed Councillor Samantha Bowring as his substitute. Maria Grindley from the Audit Commission had also sent her apologies for absence.

#### **AG.27 Minutes**

##### **RESOLVED**

To approve as a correct record the committee's minutes of 15 September 2010 and agree that the chair signs them.

#### **AG.28 Declarations of interest**

None

## **AG.29 Urgent business and chair's announcements**

None

## **AG.30 Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee**

None

## **AG.31 Internal audit activity report - third quarter 2010/11**

The committee considered report 89/10 of the head of finance. This summarised the outcome of recent internal audit activity. Since the committee's last meeting, internal audit had finished six audits, four of which had a limited assurance rating. In addition, internal audit had completed an investigation into a breach of security and two follow-up reports, one of which had initially received limited assurance. The committee discussed the audits with limited assurance and the investigation also.

### **Handling postal cash and cheques 2010/11**

The first audit looked at the procedures around handling cash and cheques received by post. Internal audit was satisfied that staff opened post securely, but in some service areas, only one officer carried this out. Some councillors expressed concern at this, believing that the council's reputation could be at risk. The section 151 officer reported that he had taken the decision to advise service areas that whenever possible there should be two officers opening post to reduce the risk of fraud, but where this was not possible, one officer was acceptable if they maintained records to internal audit's satisfaction. The committee asked that this procedure was reviewed, having regard to the total number of hours involved in this task, and the average daily total value of the cash and cheques received. The committee asked that at the next meeting, the section 151 officer reported on the outcome of this review.

### **Payroll 2010/11**

The committee questioned the timescale for the service review, referred to as a management reason to delay some changes to procedures recommended in the audit. Councillors noted that the review could be imminent but could also be three years away, depending on the option chosen. However, the officers would tackle internal audit's key concerns immediately.

### **Housing and Council Tax benefits**

In answer to a question, the officers reported on the procedure for dealing with benefits' overpayments and gave examples of recovery action. The Ridgeway Shared Services Partnership closely monitored this each month.

### **SOLL leisure contract**

The committee noted that the council's contractor SOLL ran Tilsley Park in Abingdon, and the Faringdon and Wantage Leisure Centres. Councillors expressed concerns at the procedures for managing cash and cheques at these facilities but

noted that it was the contractor's responsibility to account for these and the contractor was responsible for any losses. Councillors also expressed concern at the lack of knowledge of some staff at the facilities to advise the public correctly about the comments and complaints procedure. The committee asked that the contractor reminded its entire staff about the procedure.

### **Department for Work and Pensions: security breach of customer information**

The committee noted the outcome of the investigation into a security breach and praised the council's staff and Capita for the way this had been resolved and their handling of the case.

#### **RESOLVED**

- (a) To note the report; and
- (b) that at the next committee meeting, the section 151 officer reports on the outcome of his review of security for handling cheques and cash received by post.

### **AG.32 Internal audit management report third quarter 2010/11**

The committee considered report 90/10 of the audit manager. The report updated on the management of internal audit, summarised progress against the 2010/11 audit plan and outlined the priorities for the remainder of the financial year. Councillors noted that by the end of March, internal audit should complete the audit plan's priority one audits.

#### **RESOLVED**

To note the report.

### **AG.33 Annual Audit Letter**

Anne Ockleston of the Audit Commission presented her report: the annual audit letter 2009/10. She gave an unqualified opinion on the council's 2009/10 financial statements. The council had satisfactory arrangements to secure economy, efficiency, and effectiveness in its use of resources. Although she identified three errors in the accounts, the council's officers had corrected these. Mrs Ockleston did not identify any significant weakness in the council's internal control systems. The committee welcomed this.

The committee noted that although the Audit Commission was no longer required to score the council's use of resources, the council would have achieved at least a level two, if not level three.

The committee also noted that audit fees charged to the council for 2010/11, set in April 2010, might be reduced due to changes in auditing requirements during the year. However, the amount of rebate was unknown at this stage.

In answer to a question, councillors noted that the council would have preferential status in its claim against Landsbanki, following the loss of investment in the Icelandic bank.

## **RESOLVED**

To note the contents of the annual audit letter 2009/10 from the Audit Commission.

### **AG.34 Statement of accounts 2009/10 - complying with the new international financial reporting standards**

The committee considered report 91/10 of the head of finance. This set out the 2009/10 accounts, restated in the format of the new international financial reporting standards. Although the council did not have to adhere to the new standards until 2010/11, preparing the 2009/10 financial statements in the new format would provide a base for future work. The committee thanked the council's officers for this.

In answer to a question, the officers agreed to check the figures in appendix H of the restated accounts.

## **RESOLVED**

- (a) To authorise the section 151 officer, in consultation with the committee chair, to carry out detailed final checking of the restated statement of accounts; and
- (b) To approve the restated 2009/10 statement of accounts in line with the new international financial reporting standards and to submit the accounts to the Audit Commission for checking against the methodology.

### **AG.35 International financial reporting standards**

The committee noted that the 2009/10 statement of accounts had been restated to meet the requirements of the new international financial reporting standards and to provide a base for the 2010/11 accounts. Subject to the Audit Commission being satisfied with the restated accounts, this completed the council's preparations to meet the new standards.

### **AG.36 Treasury management strategy - half year review**

The committee considered report 92/10 of the head of finance. Following the loss of some funds invested in the Icelandic banks, the Chartered Institute of Public Finance and Accountancy (CIPFA) had recommended that the officers reported on progress mid-year. Therefore, the report showed the results of monitoring the council's treasury management activities against the strategy and set out performance against the prudential indicators.

The committee questioned why the council used an in-house investment team as well as an external team. Councillors noted that this spread risk over longer and shorter-term investments. The in-house team obtained the best return on the council's day-to-day cash flow. Performance between the two teams varied year to year.

## **RESOLVED**

- (a) To note the treasury management mid-year monitoring report 2010/11; and
- (b) To confirm that the committee is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

### **AG.37 Treasury and investment strategy 2011/12**

The committee considered report 93/10 of the head of finance. This outlined the council's treasury management prudential indicators for 2011/12 and set out the expected treasury management operations for the year. The committee was asked to review these and recommend approval to the Council via the Executive.

Some councillors queried the strategy's wording in paragraph 27. This set out the criteria for providing high quality investment counterparties. The councillors believed that the wording was unclear in the criterion 'Banks 4'. The officers reported that the intention was to authorise the council to take action if its transactional bank ever failed. Councillors believed that this criterion needed redrafting to reflect that aim better and the committee delegated authority to agree new wording.

The committee also noted that the council's treasury management consultancy had transferred from Butlers to Sector Treasury Services Limited, another division of Butlers' parent group company ICAP Securities Limited. The officers reported that this had improved the quality of service to the council.

## **RESOLVED**

- (a) To authorise the section 151 officer, in consultation with the committee's chair and Councillors Andrew Crawford and Michael Murray, to redraft the words in the criterion 'Banks 4' in paragraph 27 of the strategy;
- (b) To approve the following key elements and recommend these to the Executive and the Council:
  - (i) the treasury management strategy 2011/12 to 2013/14 and the treasury prudential indicators contained in paragraph 40;
  - (ii) the authorised limit prudential indicator as shown in paragraph 6 of the strategy; and
  - (iii) the investment strategy 2011/12 contained in the treasury management strategy and the detailed criteria in Annex A1.

### **AG.38 Audit and governance work programme**

The committee reviewed its work programme for the remainder of the municipal year. The committee added items to the programme for March to consider a report from the Audit Commission and to consider the internal audit plan for 2011/12.

## **RESOLVED**

To update the audit and governance work programme as outlined above.

## **Exempt information under section 100A(4) of the Local Government Act 1972**

None

The meeting rose at 8.21 pm