

Minutes

of a meeting of the

Audit and Governance

Committee



held at 6.30pm on Wednesday 15 September 2010
at the Guildhall, Abingdon

Open to the public, including the press

Present:

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

Substitute member: Councillor Matthew Barber (in place of Councillor Terry Cox)

Ex-officio member: Councillor Tony de Vere

Officers: Sandy Bayley, Steve Bishop, Steve Culliford, Adrian Duffield, Mike Gilbert and Bob Watson

Audit Commission representatives: Maria Grindley and Anne Ockleston

Number of members of the public: Nil

AG.15 Apologies for absence

Councillor Terry Cox had sent his apologies for absence and appointed Councillor Matthew Barber as his substitute. Councillors Andrew Crawford and Bill Melotti had also sent their apologies for absence. Councillor Mike Murray had sent apologies for lateness.

AG.16 Minutes

RESOLVED

To approve as a correct record the committee's minutes of 30 June 2010 and agree that the chair signs them.

AG.17 Declarations of interest

Councillor Dudley Hoddinott declared a personal interest in the item on internal audit activity as he was a local member for the area covering the Timbmet development

site at Cumnor Hill. This development was subject to a section 106 planning agreement that was referred to in the report and discussed at the meeting.

AG.18 Urgent business and chair's announcements

The chair announced that further to the committee's previous debate on the council's aged debt, significant improvement in the council's performance had been achieved over the past year. Due to the good work of cost centre managers and Suzanne Green in Legal and Democratic Services, the council had reduced its aged debt from over £450k in September 2009 to £150k in August 2010. The committee was pleased with the improvements and asked that its appreciation was passed on to the officers.

AG.19 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee

None

AG.20 International financial reporting standards

Bob Watson, Chief Accountant, reported on the council's compliance with the new international financial reporting standards. The council was preparing to adapt its accounting practices and reporting to comply with the new standards for the 2010/11 accounts. Once the 2009/10 accounts had been approved, the council would prepare a revised version in line with the new standards to use as a baseline for the 2010/11 accounts. The officers were also working with neighbouring councils to learn how best to do this. The committee welcomed the progress made and asked for a further update at the next meeting.

RESOLVED

To request a further update in January 2011 on the council's preparations for compliance with the new international financial reporting standards.

AG.21 Internal audit activity report second quarter 2010/11

Councillor Dudley Hoddinott declared a personal interest in this item but in accordance with Standing Order 34, he remained in the meeting during its consideration.

The committee considered report 50/10 of the head of finance. This summarised the outcome of recent internal audit activity. Since the last committee meeting, internal audit had finished nine audits, only two of which had a limited assurance rating. In addition, internal audit had completed three follow-up reports, one of which had received limited assurance. The committee discussed the audits with limited assurance.

Pro-active anti-fraud audit 2009/10

The first audit was a pro-active check against the council's anti-fraud procedures. Although internal audit discovered some issues, they found no evidence of fraud. The service managers had accepted internal audit's recommendations in each case. Councillors noted that there would be a follow-up audit.

Section 106/commuted sums audit 2009/10

The committee discussed the audit on section 106 planning agreements and commuted sum payments from developers to fund community facilities and infrastructure. In answer to a question from a councillor, the council had received the sum from the developers of the Timbmet site at Cumnor Hill, but this was after the officers had prepared the audit report. Councillors emphasised the importance of the new section 106 post and questioned whether management team's recent decision to freeze recruitment on all vacant posts would affect this. The committee stressed the importance to the council of filling this post.

The committee also discussed interest earned from commuted sums paid to the council. The council invested the sums received from developers until the community facilities were built. As a rule, unless explicitly provided for in the individual agreements, the interest earned from these receipts became corporate income, rather than directly increasing the section 106 funds. Councillors questioned this policy but concluded that this could be considered at the time of the follow-up audit.

Records management follow-up audit 2009/10

Turning to the follow-up audit on records management, the committee queried recommendation 12 regarding the length of time to retain employee records. The strategic director agreed to check whether the policy on the retention of documents set clear guidelines. Councillors were also concerned at a lack of appropriate response from some managers and asked for a further follow-up report on the recommendations not agreed by service managers, and on any outstanding actions.

RESOLVED

To note the report.

AG.22 Internal audit management report second quarter 2010/11

The committee considered report 51/10 of the head of finance. This reported on internal audit management issues, summarised progress against the audit plan, and set out priorities for the third quarter of 2010/11.

The committee was pleased to note that internal audit's performance had improved during the second quarter. Councillors also noted that internal audit had also been involved in several pro-active projects. These included identifying service areas that needed additional training on the council's financial management system, and

investigating a breach of security by a Capita employee. Capita had subsequently dismissed the employee.

RESOLVED

To note the report.

AG.23 Statement of accounts 2009/10

The chair introduced this item by reminding the committee that it needed to consider the Audit Commission's annual governance report 2009/10 before considering the statement of accounts. The other elements of this item were for the committee to approve the council's annual governance statement, which formed part of the statement of accounts, and to authorise the chair and the chief finance officer to sign a letter of representation to the Audit Commission.

Audit Commission's annual governance report 2009/10

The chair invited Maria Grindley, the Audit Commission's representative, to address the committee. Ms Grindley introduced her report on the audit undertaken on the council's 2009/10 draft statement of accounts. The committee had approved the draft in June. Ms Grindley asked the committee to consider her report, take note of the adjustments to the council's financial statements, and agree its response to the action plan.

The key messages for the council were:

- There was an unqualified audit opinion
- The financial statements were now free from material error, following the acceptance of the Audit Commission's recommendations
- The council had an adequate internal control environment
- There were adequate arrangements to secure value for money

The committee noted that the main material errors discovered by the Audit Commission were that there had been no revision of previous property values, and the Landsbanki investment appeared in the accounts as an investment rather than a debtor. With the council accepting these changes, Ms Grindley had no outstanding concerns.

Statement of accounts 2009/10

The committee then considered the statement of accounts in light of the Audit Commission's recommendations.

Councillors noted an addendum that clarified an event that had occurred after the balance sheet date. On 22 June 2010, the government announced that employers' contributions to the pension scheme would use the consumer price index rather than

the retail price index. This meant the council would pay lower contributions to the pension fund. This change would appear in paragraph 31.

In answer to questions from councillors, the officers agreed that there should be an explanatory note on the capitalisation of senior staff salaries. For future years, there should be a note to link the basis of fixed asset valuation back to the balance sheet. Notwithstanding these future changes, the committee was assured that the council had followed robust processes in preparing the statement of accounts.

Annual governance statement

The committee reviewed the annual governance statement. Councillors asked for an update of the contents page following changes to the draft version suggested by the Audit Commission. Councillors also queried the relevance of the text on page 85 to the last recommendation and agreed that the strategic director should re-write this.

Letter of representation

The committee approved the wording of the letter of representation to the Audit Commission and authorised the chair and the chief finance officer to sign it.

RESOLVED (by eight votes to nil)

- (a) To note the Audit Commission's annual governance report 2009/10;
- (b) To approve the statement of accounts 2009/10, noting the following future changes:
 - (i) Amend paragraph 31 to use the consumer price index for employer's contributions to the pension scheme,
 - (ii) Add an explanatory note on the capitalisation of senior staff salaries
- (c) To approve the annual governance statement 2009/10, subject to updates to the contents page and the text on page 85 relating to the last recommendation;
- (d) To authorise the chief finance officer and the committee chair to sign the letter of representation to the Audit Commission; and
- (e) To agree that in future years, the statement of accounts shall include a note to link the basis of fixed asset valuation back to the balance sheet.

AG.24 Comments and complaints review 2009/10

The committee considered report 52/10 of the management team, which reviewed the comments and complaints received by the council during 2009/10. The committee noted that the number of complaints had reduced compared to 2008/09. The service area with the most complaints was finance, mostly relating to council tax and benefits. However, of the nine complaints against the council referred to the

local government ombudsman, not one had resulted in a finding of maladministration. The committee welcomed this.

However, councillors noted that the complaints data did not include questions about the garden waste service or billing queries. Councillors sought assurance that service areas were monitoring such comments and acting on them. Councillors suggested that a corporate approach was necessary.

RESOLVED

- (a) To note the contents of the 2009/10 review of comments and complaints; and
- (b) To note the introduction from 1 April 2010 of the harmonised complaints procedure.

AG.25 Audit and governance work programme

The committee reviewed its work programme. In answer to a question from a councillor, the internal audit activity and management reports were rolled forward to the next work programme on each occasion. Councillors asked that an update on progress with the new international financial reporting standards was included for January 2011 also.

RESOLVED

To update the audit and governance work programme.

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

None

The meeting rose at 8.55 pm