

# **Minutes**

of a meeting of the

## **Audit and Governance Committee**



held at 6.30pm  
on Monday 4 July 2011  
at the Abbey House, Abingdon

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

### **Present:**

Members: Councillors Mike Murray (Chairman), Julia Bricknell, Andrew Crawford, Dudley Hoddinott, Holly Holman and Robert Sharp

Substitute members: Councillor Eric Batts (in place of Councillor Marilyn Badcock), Councillor Bill Jones (in place of Councillor Jane Crossley), Councillor Janet Shelley (in place of Councillor Simon Howell), and Councillor Richard Webber (in place of Councillor Judy Roberts)

Non-participating member: Councillor Kate Precious

Officers: Sandy Bayley, Steve Bishop, Steve Culliford, Andrew Down, William Jacobs, Sheeraz Khan, Adrianna Partridge, Simon Turner and Bob Watson

Audit Commission officers: Maria Grindley and Adam Prickett

Number of members of the public: Nil

### **AG.1 Introductions**

Councillors and officers introduced themselves.

### **AG.2 Notification of substitutes and apologies for absence**

Councillors Marilyn Badcock, Jane Crossley, Simon Howell and Judy Roberts had all given their apologies for absence. Councillors Eric Batts, Bill Jones, Janet Shelley and Richard Webber attended as their substitutes respectively.

### **AG.3 Chairman and vice-chairman**

The committee noted that Councillor Mike Murray had been appointed by the Council as the committee's chairman for the 2011/12 municipal year.

The committee was asked to elect its vice-chairman.

**RESOLVED:** To elect Councillor Simon Howell as the committee's vice-chairman for the 2011/12 municipal year.

#### **AG.4 Minutes**

**RESOLVED:** To adopt the minutes of the committee meeting held on 9 March 2011 as a correct record and agree that the chairman signs them.

#### **AG.5 Actions from previous meetings**

The chairman asked for updates on matters discussed at the last two committee meetings. The committee noted that at its next meeting, internal audit was due to update on the White Horse Leisure and Tennis Centre audit. The committee noted that with regard to a previous internal audit investigation, management team had made arrangements for staff to make work-related confidential telephone calls in private rooms rather than open-plan offices. The committee also noted that the council's consultant was investigating outsourcing the payroll service to a contractor.

#### **AG.6 Terms of reference**

The committee noted its terms of reference, as set by the Council.

#### **AG.7 Declarations of interest**

None

#### **AG.8 Urgent business and chairman's announcements**

The committee noted the fire evacuation arrangements.

#### **AG.9 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee**

None

#### **AG.10 Internal audit activity report - first quarter 2011/12**

The committee considered report 6/11 of the audit manager. This summarised the outcome of recent internal audit activity. Since the committee's last meeting, internal audit had completed thirteen audits and three follow-up reviews. The committee discussed the audits that had received a limited assurance.

#### **ICT**

It was reported that Capita was now receiving human resources' updates when staff left the council, so their access to the council's financial management system could be terminated. A new helpdesk call management system would be introduced bringing

improvements over the old system. In the internal audit follow-up audit, checks would be made on arrangements for disaster recovery tests in 2011.

### **Mortgage administration 2010/11**

The committee noted that the council used to offer mortgages to tenants that wished to buy their council house. Although the council no longer offered this service, there were still six active mortgage accounts. Payments came through the council's cash receipting system; this was audited regularly. For historical reasons, this system was operated by a stand-alone computer rather than a networked system. The committee did not consider this to be ideal and asked internal audit to investigate whether this was common practice.

### **Travelling and subsistence expenses 2010/11**

The committee noted that a new online expenses system had been introduced to process staff expenses claims. This system had been developed in-house. The committee acknowledged that this area was being reviewed again in the current year, but asked internal audit to undertake a spot check of receipts in the interim.

**RESOLVED:** To request internal audit to:

- (i) report in the ICT follow-up audit whether arrangements have been made for disaster recovery tests in 2011;
- (ii) investigate whether the use of stand-alone computer systems was common practice, rather than networked systems; and
- (iii) undertake a spot check of staff expenses receipts and report back to the next meeting.

### **AG.11 Comments on internal audit reports not presented to the committee**

The committee noted that where internal audit had been awarded a full or satisfactory rating in their audit work, these reports were not included in the audit manager's activity report. However, internal audit would email these reports to committee members approximately two weeks prior to each committee meeting. The committee was encouraged to raise any questions on these reports at least one week before each committee meeting. Any such questions would be raised at this point in the meeting but would be circulated before each meeting, along with the answers.

The audit manager tabled questions that had been received from the chairman and reported that no further questions had been raised by committee members prior to the meeting. Of the internal audit reports that had been awarded a full or satisfactory rating, the committee noted that the creditor payments and sundry debtors' services had shown significant improvements since the previous audit.

### **AG.12 Internal audit management report - first quarter 2011/12**

The committee considered report 7/11 of the audit manager. The report updated councillors on the management of internal audit, summarised progress against the

2011/12 audit plan, and outlined the priorities for the second quarter. Tabled at the meeting was a Gant chart showing progress against the audit plan. The chart also explained the reason for carrying out each audit. At the next meeting, further information would be available showing a schedule of audit activity. The committee asked that the audit plan included a review of the links between subscribers to the brown bin service and the contractor's data.

The committee noted that after a difficult year, the internal audit team was now at full strength and was making good progress.

**RESOLVED:** To include within the planned brown bin 2011/12 audit, a review of the links between subscribers to the brown bin service and the contractor's data.

### **AG.13 Internal audit annual report 2010/11**

The committee considered report 8/11 of the audit manager. This set out internal audit's work for the year to 31 March 2011. Despite being without its manager for several months, the internal audit team had completed the 2010/11 audit plan. The audit manager believed that overall the council had a satisfactory control environment.

**RESOLVED:** To note the report.

### **AG.14 Annual audit fee 2011/12**

The committee considered report 9/11 of the strategic director, which informed councillors of the estimated external audit fee for 2011/12 and the work that the Audit Commission would carry out during the year. The report also sought approval for Maria Grindley of the Audit Commission to remain as the 'engagement lead' for a further two years. The engagement lead was responsible for the overall delivery of the external audit, and liaison with the council's chief executive and the Audit and Governance Committee's chairman.

Maria Grindley of the Audit Commission addressed the committee. She reported that the Audit Commission set the audit fee after consultation with local government bodies. The fee was an estimate; the final fee would depend on the amount of work required during the year.

The strategic director reported that the council had appointed Maria Grindley as the council's external auditor 'engagement lead' for a five-year term. This would expire shortly. The director recommended extension of her appointment for up to two years.

The committee recalled that the government planned to disband the Audit Commission and transfer its work to the private sector. Approving the extension would allow Ms Grindley to continue in her role up until the transfer. The committee supported the recommendation.

**RESOLVED:**

- (a) To note the estimated external audit fee for 2011/12 and the contents of the Audit Commission's letter appended to report 9/11; and

- (b) To approve the extension of up to two years for Maria Grindley of the Audit Commission to be the council's 'engagement lead', being satisfied that there is no risk to auditor independence.

## **AG.15 Statement of accounts 2010/11**

The committee considered the draft statement of accounts for 2010/11. The committee noted that this year, there was a change to the regulations regarding sign-off of the draft accounts. The section 151 officer was required to sign off the draft accounts, not the committee. However, the committee would be required to approve the final accounts in September.

The section 151 officer reported that he had signed-off the draft statement of accounts at the end of June. The draft was now before the committee to give councillors a chance to consider the accounts prior to formally approving the final version in the autumn.

The chief accountant explained the key points. The committee noted that the Cabinet was due to consider the revenue outturn report for 2010/11 in September but this might be available in draft form in August. The committee asked to be sent a draft copy in August, if possible.

In answer to a question, the chief accountant reported that the large reduction in the council's pension liability was due to Oxfordshire County Council employing a new actuary to value the Oxfordshire local government pension fund and each council's liability. The new actuary took a more optimistic view than the previous actuary. The head of finance assured the committee that the council should not see the same level of variances in the future.

The committee also noted the latest position in the council's long-term investment in the Icelandic bank, Landsbanki. The council's had been awarded priority investor status and this had survived a legal appeal. The council should recover 95 per cent of the investment. A second claim would be made for lost interest.

With regard to the council's long-term debtors in the balance sheet, the committee asked that the final version of the accounts contained a fuller explanation of what this item included. The director agreed to investigate this and advise the committee outside of the meeting.

The committee also asked about an item in the accounts that set aside an amount to defend a legal challenge by a third party. The officers explained that it was good accounting practice to allocate funds in case the council lost the legal challenge. The officers agreed to update the committee at a future meeting.

**RESOLVED:** To timetable a review of the draft statement of accounts in August, taking into account the committee's suggested clarification regarding long-term debtors, and ask that copies of the draft revenue outturn variance report to the Cabinet are circulated to the committee in August also.

## **AG.16 Annual governance statement**

The committee considered the draft Annual Governance Statement 2010/11. The committee noted that this document would form part of the final statement of accounts and therefore the officers had sent a copy to the Audit Commission for comment.

The committee commented on the draft statement. In relation to the corporate priorities set out on page 4, councillors suggested:

- removing the word 'ambitious' from the description of the council's housing targets
- amending the corporate priority to read 'work in partnership with stakeholders to sustain vibrant market towns'
- under the strategic objective about managing our business effectively, include a reference to making the best and most efficient use of taxpayers' funds and council assets to link in to risk assessments in line with these strategic objectives

The officers agreed to review these suggestions.

Councillors also suggested that the council should consider preparing an investment management strategy, particularly for property investments. The committee noted that the council did not have a property investment strategy but had a policy setting limits on how much could be invested in cash and property. The committee believed that a strategy should be developed and that this should form an additional recommendation in the Annual Governance Statement.

### **RESOLVED:**

- (a) To review the suggestions made by the committee and consider whether they can be included in the final version of the Annual Governance Statement; and
- (b) To include an additional recommendation in the final Annual Governance Statement that the council should develop an investment management strategy, particularly for property investments.

## **AG.17 Audit and governance work programme**

The committee noted the work programme for 2011/12. This set out a programme of items that were due to come before future committee meetings. It would appear on each agenda and was open to the committee to update as necessary.

**RESOLVED:** To note the Audit and Governance Committee work programme for 2011/12.

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

None

The meeting rose at 9.00 pm