

# Minutes

of a meeting of the

## Audit and Governance

### Committee

held at 6.30pm on Wednesday 18 January 2012  
at the Abbey House, Abingdon



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

#### **Present:**

Members: Councillors Mike Murray (Chairman), Simon Howell (Vice-Chairman), Julia Bricknell, Andrew Crawford, Dudley Hoddinott, Holly Holman, Judy Roberts and Robert Sharp

Officers: Sandy Bayley, Steve Bishop, Geoff Bushell, Steve Culliford, William Jacobs, Sheeraz Khan, Clare Kingston, Ian Matten, Carole Moss, Penny O'Callaghan, Nilesh Parmar, and Bob Watson

Audit Commission representatives: Maria Grindley and Adam Prickett

Number of members of the public: Nil

#### **AG.38 Notification of substitutes and apologies for absence**

Apologies for absence were recorded from Councillors Jane Crossley and Peter Jones.

#### **AG.39 Minutes**

**RESOLVED:** To adopt as a correct record the minutes of the committee meeting held on 28 September 2011 and agree that the chairman signs them.

#### **AG.40 Actions arising**

The committee reviewed the action arising from the last meeting.

#### **Health and safety**

The committee noted that management team had assured Cabinet that the council was taking its health and safety responsibilities seriously and that management team would closely monitor any issues that arose. Cabinet had accepted this reassurance.

## **Comments and complaints procedure**

Following concern expressed by the committee at its last meeting, Cabinet had reviewed the comments and complaints procedure and changed it to require the chief executive to consult the political group leaders before determining action on any stage three complaints.

## **Brown bins for the garden waste scheme**

In answer to a question from a councillor following the last committee meeting, it was reported that the outstanding aged debt (over 30 days) as at 9 January 2012 was £78,000. The officers had reviewed procedures in administering the garden waste scheme. They were checking the database records were correct and were chasing outstanding payments. This had reduced the aged debt. The officers agreed to supply committee members with details of how recoverable the aged debt was.

The council informed its contractor, Biffa, of the addresses of persistent non-payers. The committee asked for an update on whether Biffa was complying with this instruction.

## **AG.41      Declarations of interest**

None

## **AG.42      Urgent business and chairman's announcements**

None

## **AG.43      Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee**

None

## **AG.44      Certification of claims and returns 2010/11**

The committee considered the Audit Commission's report on the certification of claims and returns for 2010/11. The work checked whether the council had properly completed claim forms for government grants and subsidies. The Audit Commission had found no errors in the two limited reviews but had adjusted the housing benefit claim and issues a qualification letter. The Commission had reported on six areas in the qualification letter and noted that the council had carried out recommendations and improved arrangements for classifying housing benefit overpayments.

The committee welcomed the report, noting that the council's performance in this area had improved over 2009/10; the council had lost none of its government subsidy. The committee also noted that consequently, the Audit Commission's fee had reduced.

**RESOLVED:** To note the Audit Commission's certification of claims and returns report for 2010/11 and request the strategic director to thank the teams responsible for the council's improved performance.

## **AG.45 Annual audit letter 2010/11**

The committee considered the Audit Commission's annual audit letter for 2010/11. This summarised the work completed during the audit year. The Audit Commission gave an unqualified opinion of the council's accounts on 29 September 2011 and an unqualified value for money conclusion. This was the first year the council had to prepare the financial statements in accordance with the new international financial reporting standards. This was more complex and as a result of errors identified in the draft statements additional audit work was needed.

The committee noted that the officers had improved procedures to prepare the end of year accounts; this should reduce the need for additional work from the Audit Commission in 2012.

In answer to a suggestion from a councillor, the Audit Commission agreed to amend page 4 of its report to amend the reference 'the council had £1 million *invested* in Icelandic banks' to '*deposited with*'.

**RESOLVED:** To note the Audit Commission's annual audit letter and use of resources report for 2010/11.

## **AG.46 Audit Commission's progress report**

The committee considered the Audit Commission's progress report. This was a new report to meet the Audit Commission's code of practice. It updated the council on progress the Audit Commission had made in delivering its work. The committee noted that the Audit Commission had completed its 2010/11 audit work for the council and would present an audit plan to the committee in March for 2011/12 work. The Audit Commission highlighted some key considerations for the council for the committee to consider as follows:

- Has the council considered the Tough Times report and made appropriate use of the Audit Commission's value for money profiles?
- Has the council used the single person's discount comparator tool to compare its levels of council tax single person discount with the predicted level?
- Has the council completed the fraud prevention checklist and, where appropriate developed an action plan to address any weaknesses?
- Has the council circulated the Department of Communities and Local Government's plain English guide to the Localism Act to all councillors?
- Has the council responded to the Department of Communities and Local Government's consultation exercise on the housing revenue account self-financing determinations?

The committee asked the officers to consider these. Councillors noted that the council had taken action in some of these areas, such as holding a councillor workshop on the Localism Bill. However, the officers agreed to circulate a copy of the Localism Act plain English guide to all councillors. The strategic director undertook to investigate whether any further action was necessary on the other key considerations suggested by the Audit Commission.

The committee noted the process for the tendering of external audit services following the planned abolition of the Audit Commission. The Commission's work would be tendered to

private sector auditors. There would be one appointed auditor firm for the south-east area. The appointment would be announced in March. It was unknown whether the contract would be let for three or five years.

**RESOLVED:** To note the Audit Commission's progress report and request the strategic director to consider whether action is needed on its key considerations highlighted above.

### **AG.47 Internal audit activity report 2011/12 quarter 3**

The committee considered report 59/11 of the Audit Manager, which set out the internal audit reports completed in the third quarter of 2011/12. The committee noted that of the ten audit reports completed since the last committee meeting, three had received limited assurance ratings from internal audit. The report also referred to two follow-up reports, one of which received limited assurance in the original audit review. Councillors noted that for the first time, audit reports referred to quantum to allow the committee to assess the severity of the issues raised.

The committee debated the audit reports as follows.

#### **Car parks**

This audit had been awarded satisfactory assurance from internal audit. However, following a question from a councillor, it was reported that the audit had discovered no fraud. An explanation of the car park cash collection process was circulated to committee members.

#### **General ledger**

This audit had also received satisfactory assurance. The committee noted that reconciliations were being carried out by the council's contractor, Capita, as the council received monthly reports.

#### **Payroll 2011/12**

This audit received a limited assurance. The committee noted that a number of the recommendations had not been implemented pending the transfer of the payroll operation to Capita. This was due to happen in mid-February. To test Capita's ability to run the payroll system, Capita had run the payroll in tandem with the council for the last two months. This had highlighted some minor but surmountable issues.

In answer to a question, the committee noted that the council's management team was content that staff claiming travel allowances should self-certify that they had motor insurance to cover business travel. However, internal audit committed to undertake spot checks. In addition, human resources staff were aware that details of staff starters and leavers must be checked and signed off. These checks were taking place.

The committee accepted that the next annual assurance audit would highlight any issues and any outstanding audit recommendations. Internal audit would undertake this in the first quarter of 2012/13 and provide assurance on the Capita transfer.

## **Waste management and recycling**

This audit resulted in a limited assurance rating. The committee noted that with regard to the accuracy of weighbridge records and invoices, internal audit had taken a sample of records and had only found one labelling error, which was considered insignificant. The monthly checks recommended by internal audit were now in place. The committee also noted that the waste and recycling collection tracking system recorded the movement of collection vehicles and the lifting (emptying) of each bin. This data was recorded by reading the chips inserted in the bins. The records showed each bin that had been emptied, and the time and date. The committee asked for details of how often this system was unavailable. The officers reported that they were working with the contractor to improve customer service standards.

## **Establishment listing**

This audit also received limited assurance. In answer to a question from a councillor, it was noted that the discrepancies between the human resources establishment list and the payroll records were mainly related to data entry errors and would not cause a budget variance. The list was updated monthly by heads of service and was now accurate. Capita would be carrying out a data cleansing exercise before it began operating the payroll service and would ensure its records were the same as the establishment list.

## **ICT - Follow-up audit 2010/11**

The original audit received limited assurance but the follow-up audit was presented as many implementation deadlines had not been met. As the committee had several questions arising from this audit and the service manager was unable to attend this meeting, the committee deferred consideration of this item.

However, in many audit reports, internal audit had highlighted that staff leavers' names had not been immediately removed from IT systems. The committee expressed concern that staff might be able to access the council's systems after they had left the council's employment. The committee was assured that there were systems in place for managers to alert human resources of staff leaving dates and to alert other services and IT staff. The committee noted that IT staff immediately removed staff leavers from the council's network, meaning former staff would be unable to access this council's systems. However, internal audit's concern was that individual services had not removed some leavers from their IT systems. This action was repeated in several internal audit reports. The committee asked internal audit to follow up these recommendations.

The committee then discussed appendix 2 to the internal audit activity report. This related to systemic control weaknesses. The committee asked whether the weaknesses were ranked, and if so how? The officers agreed to check this with the audit manager and report back to the next meeting.

## **RESOLVED: To**

- (a) note the report;
- (b) request the officers to provide:

- assurances in the internal audit follow-up reports that staff leavers' names and logins had been quickly removed from the council's IT systems to prevent unauthorised access
  - the amount of aged debt from brown bin customers likely to be written off
  - an update on whether Biffa was complying with the council's instruction not to collect garden waste from the addresses of persistent non-payers
  - details of the regularity of waste and recycling collection system downtime
- (c) defer consideration of the ICT follow-up audit until the next committee meeting in March; and
- (d) determine whether the systemic control weaknesses are ranked, and if so how?

### **AG.48 Internal audit management report 2011/12 quarter 3**

The committee considered report 60/11 of the audit manager. This summarised 2011/12 third quarter performance of the internal audit team against the audit plan. The committee noted that internal audit was on target to complete the current year's plan.

The committee noted that the council planned to offer its internal audit services to parish and town councils. This would help these councils meet their auditing requirements and would raise income for this council.

The committee welcomed the report but asked for appendix 1 to be printed with paler shading in future to make it readable.

The committee asked the officers to review the need to audit the concessionary fares service now that it was to be operated by Oxfordshire County Council from April. It was believed that the committee included this in its audit plan in March 2011, as at that stage the future operator of the service was unknown.

#### **RESOLVED: To**

- (a) note the report; and
- (b) request the audit manager to review the need for an audit of the concessionary fares service as the operation will be taken over by Oxfordshire County Council in April 2012.

### **AG.49 Internal audit strategy 2012/13 - 2014/15**

The committee considered report 61/11 of the audit manager. This sought approval of an internal audit strategy for 2012/13 to 2014/15. The strategy was similar to the internal audit charter the committee had approved in 2008 but had been updated to meet the requirements of the Chartered Institute of Public Finance and Accountancy.

**RESOLVED:** To approve the internal audit strategy for 2012/13 to 2014/15.

## **AG.50 Treasury management strategy - half-year review 2011/12**

The committee considered report 62/11 of the head of finance. This monitored the council's performance of its treasury management (financial investments) for the period 1 April to 30 September 2011.

In answer to a question from a councillor, the officers reported that the council's investment fund manager (Investec) was regulated on where they could invest. The officers agreed to circulate the latest investment report from Investec to committee members.

The council's treasury management was carried out by an in-house team that concentrated on ensuring the council had sufficient cash flow to carry out its daily activities, and an external team that invested for longer term gains. Therefore, the in-house team was more likely to achieve a lower return on its investments.

The committee noted that the council's treasury management had operated within the agreed parameters in the treasury management strategy. The committee considered that no changes were necessary to the strategy.

### **RESOLVED: To**

- (a) note the treasury management mid-year monitoring report for 2011/12;
- (b) advise Cabinet that the committee is satisfied that the treasury management activities have been carried out in accordance with the treasury management strategy and policy; and
- (c) request the officers to circulate the latest Investec investment report to committee members.

## **AG.51 Treasury management strategy - annual review**

The committee considered report 63/11 of the head of finance. This reviewed the treasury management and investment strategy and sought the committee's approval for the draft strategy for 2012/13 to 2014/15 for recommendation to Cabinet and Council. The committee noted that the officers would correct the dates in the table in paragraph 31 of the draft strategy.

In answer to a question from a councillor, the committee noted that the council rarely invested in European banks, preferring to invest in government-backed UK banks. The committee also noted the officers' intention to introduce treasury management training for officers in the accountancy team shared with South Oxfordshire District Council. It was hoped that an update could be given at the next meeting.

The committee noted that the treasury management and investment strategy split the percentage of investment between physical property and financial investments 80:20. The committee queried whether this ratio was still relevant. The committee asked the officers to raise this with the council's asset management group.

**RESOLVED: To**

- (a) approve each of the following elements and recommend them to Cabinet for formal adoption by Council:
  - (i) The Treasury Management Strategy 2012/13 to 2014/15 and the treasury Prudential Indicators contained within Appendix A (paragraph 31);
  - (ii) The Authorised Limit Prudential Indicator as shown in paragraph 6 of the strategy; and
  - (iii) The Investment Strategy 2012/13 contained in the treasury management strategy (Appendix A), and the detailed criteria included in Annex A1.
- (b) request the council's asset management group to consider whether the ratio of physical property and financial investments was still fit for purpose.

**AG.52 Business continuity and risk management update**

The committee considered report 64/11 of the head of HR, IT and customer services. This updated the committee on the council's business continuity and risk management arrangements. This was the council's plan to reinstate its services following a major incident affecting the council's service provision.

The committee accepted that, in the event of a major incident, not all services would be available immediately afterwards. The plan was to prioritise service reinstatement to avoid suffering to residents. For example, the provision of housing benefit payments would be a higher priority than administering planning applications.

The committee welcomed the reciprocal arrangements with South Oxfordshire District Council to provide services in times of disruption. Councillors noted that the council would work with Oxfordshire County Council to test the business continuity arrangements. The council's management team would also carry out walk-through testing of the arrangements to ensure that they were viable and that staff rehearsed their roles. Although there were no firm timescales for these tests, the officers agreed to report on progress to the next committee meeting. The committee recommended officers to carry out these tests within six months. The committee also stressed the importance of ensuring contractors had business continuity arrangements to meet their contractual obligations to the council. The officers agreed to confirm that these arrangements were in place for the council's largest and most important contracts, and that the officers were satisfied with these arrangements.

**RESOLVED: To**

- (a) note the council's existing business continuity arrangements and the additional work undertaken since the last update;
- (b) ask the officers to report back on the timescale for testing the business continuity arrangements; and
- (c) ask the officers to confirm that business continuity arrangements are in place for the council's largest and most important contracts and that the officers are satisfied with the arrangements.

### **AG.53      Audit and Governance Committee training**

The committee received a draft training questionnaire. Councillors were asked to comment on the draft and on their preferred logistical arrangements. The committee expressed its contentment with the questionnaire.

**RESOLVED:** To request committee members to complete the questionnaire and return it to the officers by 11 February so that a training programme can be organised.

### **AG.54      Audit and governance work programme**

The committee noted the latest version of its work programme.

**RESOLVED:** To request that an updated work programme for the 2012/13 financial year be presented to the next committee meeting.

### **AG.55      Exclusion of the public, including the press**

**RESOLVED:** To move 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(l) and Part 1 of Schedule 12A, as amended, to the Act when the following item is considered:

#### **Internal audit activity report**

(Category 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information.)

### **SUMMARY OF EXEMPT ITEMS**

### **AG.56      Internal audit activity report**

The committee considered a report of the Audit Manager on an internal audit review. The committee noted the report, and accepted that there were sufficient checks and measures in place.