

# AG.1

**MINUTES OF A MEETING  
OF THE AUDIT AND GOVERNANCE  
COMMITTEE**

**HELD AT THE GUILDHALL, ABINGDON  
ON WEDNESDAY, 27TH JUNE, 2007**

**Open to the Public, including the Press**

PRESENT:

MEMBERS: Councillor Andrew Crawford (Vice-Chair - in the Chair), Matthew Barber, Terry Cox, Janet Morgan and Laurel Symons.

SUBSTITUTE MEMBERS: Councillor Jerry Patterson for Councillor Tony de Vere.

OFFICERS: Steve Bishop, Andrew Fisher, William Jacobs, Jason Lindsey, Penny O'Callaghan, Harry Oliver and Marcia Slater.

NUMBER OF MEMBERS OF THE PUBLIC: None

AG.1 Notification of Substitutes and Apologies for Absence

The attendance of a Substitute Member who had been authorised to attend in accordance with the provisions of Standing Order 17(1) was recorded as referred to above with an apology for absence having been received from Councillor Tony de Vere.

AG.2 Declarations of Interest

None

AG.3 Urgent Business and Chair's Announcements

The Chair sought the agreement of the Committee to re-order the agenda and discuss the agenda items in the following order – Agenda item 10, 9, 7, 6, 8, 11 and 12. This was agreed.

AG.4 Statements and Petitions from the Public Under Standing Order 32

None

AG.5 Questions from the Public Under Standing Order 32

None

AG.6 Approval of the 2006/07 Statement of Accounts

The Committee received and considered report 21/07 of the Strategic Director and Chief Finance Officer which presented the draft Statement of Accounts for 2006/07. The Council had a statutory duty to publish annual audited accounts, which must be signed by the Chief Finance Officer and approved by the appropriate Committee of the

Council. In accordance with the Council's Constitution, the Audit and Governance Committee had the responsibility to consider and determine on behalf of the Council all aspects of the accounts of the Authority, including the approval of the Statement of Accounts. Prior to considering the report, the Strategic Director and Chief Finance Officer circulated amendments to the Statement of Accounts, a copy of which is attached to these Minutes.

The Head of Finance explained how the Statement of Accounts 2006/07 had been compiled and reminded the Committee that its remit was to be satisfied that the Council had the necessary processes in place to provide satisfactory accounts for the Authority. The Committee considered the Statement of Accounts in detail and asked a number of questions, as follows:

<b>Question</b>	<b>Answer</b>
Can the Officers explain the reason for the increase in net expenditure for highways, roads and transport services?	The increased net expenditure is primarily due to the concessionary fares scheme.
Why has provision for bad debts been specified in the accounts?	Provision for bad debts has now been included in the income and expenditure account at the request of the External Auditor who had required the Council to take a more robust line in the reporting of the level of sundry debtors.
Does the "surplus arising on revaluation of fixed assets" relate to the Council's investment portfolio?	The surplus figure is made up of revaluations and restatements in respect of operational, non-operational and intangible assets owned by the Council. The revaluations and restatements relate mainly to the Old Gaol in Abingdon which had previously been down valued as a result of a dispute regarding legal ownership but this had now been resolved satisfactorily and the value of the asset increased accordingly.
Why has there been a big increase in the level of debtors?	Increase in arrears on Council Tax and Business Rate payments due to changes in the collection systems. Central Government behind in reimbursing the Council on Housing Benefit payments.
Is the level of debtors a "sign of the times" regarding the economy?	Yes, and this is acknowledged in the accounts. The Vale continues to perform well in collecting both Business and Council

Question	Answer
	Tax.
In the cash flow statement 2006/07, what were the "other capital grant payments"?	A grant from the Heritage Lottery Fund towards the Abbey Grounds project and renovation grants.
Which fixed asset was sold during 2006/07?	Challow Depot.
Are the Council's ear-marked reserves adequate?	The adequacy of ear-marked reserves is a matter for the budget setting process. The role of this Committee in approving the Statement of Accounts is to be satisfied as to the accuracy of the accounts. However, it should be noted that a number of ear-marked reserve accounts have been closed in response to concerns previously raised by Members.
In respect of related party transactions, Central Government does not provide the majority of this Council's funding (44%) and this wording should be changed to read "high proportion".	If benefit payments are included then the Government does provide the majority of funding to the Council. Need to expand explanation in the Statement of Accounts to make this clear.
Does the Council undertake highway maintenance works on behalf of Oxfordshire County Council? If so, should this be included under Note 13 to the Core Financial Statement – Local Authority (Goods and Services) Act 1970?	Yes, the Council does undertake works to maintain highway verges on behalf of OCC and this is included under Note 5 – Agency Work. However, it could also be included in Note 13.
In respect of fixed assets as detailed in Note 16, should the Corn Exchange, Faringdon and the Fitzharrys Common Room, Abingdon be included in the list of fixed assets?	The list of fixed assets provided in Note 16 is not an exhaustive list. However, the Council does own the Corn Exchange and the Fitzharrys Common Room and these will be included in the list.
Under Note 16, it should be noted that the site held for development in Wantage (previously used as a	This will be amended.

<b>Question</b>	<b>Answer</b>
depot) which was sold, refers to the former Challow Depot site which resides in the parish of East Challow.	
The Council's Fund Manager has performed disappointingly in 2006/07 compared to the In-House Investment Team. Is this level of poor performance being addressed?	The Council continually reviews the performance of its Fund Manager and takes advice from its independent Investment Consultant. It should be noted that the in-house team's performance was boosted by the investment, over a two year term, of a windfall payment received by the Council, which was not available to the Fund Manager.
The Statement of Accounts shows different figures (£17.81 million and £17.84 million) as the Council's deficit on the Pension Fund. Could the Officers explain?	The figure of £17.81 million is the figure notified by the Actuary to the Pension Fund and the figure of £17.84 million is the actual contribution. This variation will be investigated.
Why has there been a large increase in single persons discount provision in respect of Council Tax payments?	Many benefit claimants living alone do not claim the single person discount (SPD). One Government Department required the Council to review and promote SPD's which resulted in a large increase in discounts. No cost to the Council.
Why is the Westway Shopping Centre, Botley shown separately as a note in the Trading Statement for Investment Properties?	Historically the trading account showed only West Way Shopping Centre. It should be noted that West Way Shopping Centre is directly managed by the Council.
In the "Explanation of Financial Terms", should the EMU fund be removed from the list?	Yes.
Page 1 of the Statement of Accounts paragraph 1.4, the fourth sentence to read "the Council is free to decide how best to spend the money."	Noted.

*RESOLVED*

- (a) *that the 2006/07 Statement of Accounts, together with the amendments set out in the Appendix attached to these Minutes, be approved, subject to subsequent amendments agreed with the External Auditor;*
- (b) *that the Chair of the Audit and Governance Committee be authorised to sign and date the Statement of Accounts.*

AG.7 Continuation of the Meeting

At 9.30pm and during consideration of the next item, which had been discussed later in the meeting following the re-ordering of the agenda, it was proposed by the Chair and

*RESOLVED*

*that the meeting do continue for a further 30 minutes to complete the business on the agenda.*

AG.8 The Statement on Internal Control

The Committee received and considered report 22/07 of the Strategic Director and Chief Finance Officer which invited the Committee to critically review the Statement of Internal Control (SIC) and make any recommendations on improvements to the SIC, any supporting documentation and the compilation process. The Committee noted that the mechanisms for managing internal control were set out in paragraph 3 of the Statement on Internal Control set out in the draft Statement of Accounts 2006/07 as discussed in Minute 6 above. The Committee considered each of the mechanisms in turn and made the following comments:-

<b>Mechanism for Managing Internal Control</b>	<b>Comment</b>
1 – Adoption of a comprehensive constitution which sets out how the Council operates, its decision making process and procedures.	The Constitution Working Party to meet at least once a year.
6 – Adoption of clear corporate priorities to focus resources into the most important activities.	Annual review required, was there an annual review undertaken in July 2006?

<b>Mechanism for Managing Internal Control</b>	<b>Comment</b>
12 – Authority’s objectives are communicated to staff and stakeholders.	The Business Breakfast Consultation with Local Businesses was a statutory requirement.
14 – Each services contribution to the corporate priorities is regularly assessed through the service planning and reporting process.	Service Plans should be validated and signed off on an annual basis. Should this now read July 2006?
26 - A range of committees are able to suggest or formulate new policies including the Executive; the Scrutiny Committee; the Personnel, Regulatory and Appeals Committee; the Strategic Review Committee – all of which have to be approved by full Council.	To note that the Council approved the establishment of the Audit and Governance Committee in 2006 but the first meeting of the Committee was not held until June 2007.
29 - Consultation with stakeholders on priorities/objectives.	Need to include Vale Voice Panel.
41 - Service Plan objectives cascade to individuals’ Service and Personal Plans.	Confirm the date of the last periodic audit and update if necessary.
54 - Financial Regulations have been adopted and are enforced by management.	Check the date of the last periodic review and update if necessary.
59 - A Procurement Strategy has been adopted which requires managers to assess more cost effective options for delivering services.	Check date of the last annual review. Note that the Procurement Strategy is put into the public domain as part of the budget setting process in February each year, however, it should be noted that work on this commences in November of the previous year.

<b>Mechanism for Managing Internal Control</b>	<b>Comment</b>
80 - External specialist advice is brought in when in-house expertise is insufficient for a particular task.	The review mechanism as stated is not a review mechanism.
99 - Role of internal audit. 100 - Role of external audit.	Need to make reference to the Audit and Governance Committee which now has responsibility for reviewing these areas of service.
135 - Training programmes.	Training forms to be signed off by Line Manager and Deputy Director to provide two forms of control.

Referring to the system of internal audit at the Council and its effectiveness, the Chair asked the Head of Finance to comment on the quality of the service. In response, the Head of Finance advised that it was difficult to comment as he had only been responsible for the service since 1 April 2007. However, one initial concern was the current staffing numbers within the section, although this was currently being addressed. The Head of Finance advised that the work undertaken in establishing a joint service with South Oxfordshire for internal audit had not impacted on the quality of the service but there had been an impact on the output in terms of the number of audits undertaken. However, he was hopeful that the shared service would be able to share the good practices across each of the Councils to provide a much improved service.

One Member referred to report 23/07 – Annual Report on Internal Audit (2006/07), and expressed disappointment that only 8 audit feedback surveys had been returned out of the 32 audits undertaken during the year. The Member suggested that Auditees should be encouraged to complete and return the feedback forms to give a better indication of the level and quality of service provided by Internal Audit.

### *RESOLVED*

- (a) *that the Statement of Internal Control be approved subject to the amendments detailed above;*
- (b) *that it be confirmed that the system of internal audit appears to be effective.*

### AG.9 Completion of the 2005/06 Audit

The Committee received and considered an agenda report which advised that in accordance with Regulation 18(4) of the Accounts and Audit Regulations 2003, the Statement of Accounts for 2005/06 had been certified by the External Auditor with an unqualified opinion. This formally completed the audit process.

*RESOLVED*

*that the formal closure of the 2005/06 audit process be noted.*

AG.10 Annual report on Internal Audit 2006/07

The Committee received and considered report 23/07 of the Head of Finance which summarised the performance of Internal Audit in terms of both achievement of targets and the quality of service provided to users. It was reported that the shared service was currently in the process of appointing to the vacant auditor post.

In considering the report, the Committee made the following comments/observations:-

- Good performance by the Internal Audit staff despite carrying a vacant post for the year.
- Internal Audit staff and auditees to be commended for the quick responses to audit reports and the agreement of action plans.
- Why was there no action plan agreed for three of the planned audits – Benefits, Treasury Management, Proactive Anti-Fraud and one unplanned audit relating to Concessionary Fares?
- Disappointing that only 8 out of 32 audit feedback survey forms had been returned.
- Had Officers been made aware that those audits undertaken were reported to the Committee irrespective of whether a response had been received from the Auditee?

In response, the Officers reported as follows:-

Action Plans had not been agreed in respect of the planned audits relating to Benefits, Treasury Management, Proactive Anti-Fraud and the unplanned audit relating to Concessionary Fares because no recommendations had been made in respect of those audits. Furthermore, it was noted that in respect of the Concessionary Fares unplanned audit, this work had been undertaken to support work being undertaken by the Strategic Director and Chief Finance Officer to reconcile expenditure against the scheme. It was confirmed that Officers were made aware at the beginning of the audit process that audit reports would be reported to the Audit and Governance Committee irrespective of whether a response to the audit had been received. Under these circumstances, it was suggested that Auditees should be summoned to the Committee to give an explanation for the non-response.

*RESOLVED*

*that report 23/07 be noted.*

AG.11 Internal Audit Reports 2006/07

The Committee received and considered report 24/07 of the Head of Finance which summarised the outcome of a recent internal audit report relating to staff allowances. In respect of the two recommendations not agreed with the Auditee (report reference 4.5.4 (details of user's cars and adequate insurance is maintained) and 4.6.4 (review of essential car user allowance), the Senior Auditor advised that in both cases internal audit had been satisfied with the response of the Auditee and that both matters were being kept under review. In respect of report reference 4.6.4, the Committee considered that the allowance applicable to a post should not only be reviewed when the post became vacant, but that a review was automatically undertaken after a three to five year period. In response, the Head of Human Resources considered this a sensible suggestion and in the case of reviewing the allowance payable when a post became vacant, it was the responsibility of the relevant Director to agree the level of allowance applying to the post.

In respect of the Council's Car Leasing Scheme, it was reported that the final leases were due to expire during 2008/09. One Member suggested that this might be an appropriate time to review those staff eligible for an Essential User car allowance. The Head of Human Resources reminded the Committee that the criteria used for determining whether a post was eligible for an Essential User car allowance, was as follows:-

- High mileage.
- Contractual requirement to have a car available for work.
- Car required for work to provide a responsive service.
- Normal part of benefits package for a particular group, eg Director/Deputy Director.

One Member expressed concern that report reference 4.1.5 (Allowance to Newly Appointed Staff Claim Form) related to a previous recommendation which had not been implemented. In response, the Head of Human Resources apologised for the oversight and confirmed that this recommendation had now been actioned and implemented.

Reference was made to the Council's Green Travel Plan which stated what type of transport should be used by Officers in certain cases and confirmation sought that the Council's Travel and Subsistence Policy had been amended to reflect this. In response, the Head of Human Resources confirmed that the Policy had not been amended to reflect the requirements of the Green Travel Plan but confirmed that there were checks in place to ensure that Officers used the appropriate form of transport when undertaking official duties. Furthermore, Line Managers were expected to ensure that their staff undertook their duties in accordance with the requirements of the Green Travel Plan.

Members considered that outcomes in response to recommendations made by Internal Audit, should be made public, although it was accepted that anonymity should be retained. In the event that during an audit investigation, it was evident that the action of a member of staff might lead to a criminal prosecution/disciplinary action, the Senior Auditor confirmed that in this instance the audit would be stopped and the

matter referred directly to the Council's Section 151 officer for advice. In respect of recommendations relating to report references 4.2.7 and 4.2.14 relating to accommodation allowances, the Head of Human Resources undertook to investigate the circumstances of the concerns identified and report back to the Committee.

It was noted that a post audit review had been programmed for September 2007 and it was agreed that any exceptions found as part of that review be reported to the Committee.

*RESOLVED*

- (a) *that report 24/07 be received;*
- (b) *that any exceptions found in the follow-up report to be undertaken in September 2007 be reported to the Committee.*

AG.12 Internal Audit Plan 2007/08

The Committee received and considered report 25/07 of the Head of Finance which set out the proposed Internal Audit Plan for 2007/08 and explained the process for setting the Plan and for calculating the resources available. It was noted that South Oxfordshire District Council had agreed the Plan at the meeting of its Audit and Governance Committee on 26 June 2007.

Referring to the proposed joint audit on elections, it was intended to produce a single report and for the same Officers to undertake the audit in each authority to provide a level of consistency. It was noted that the risk scores applied by each authority to elections were different and the Senior Auditor explained that the scorings and underlying weightings were locally derived for historical reasons but confirmed that both authorities applied a similar methodology to determine risk scores.

In response to a question regarding increasing the number of chargeable days as part of the Audit Plan, the Senior Auditor advised that the chargeable days identified was a conservative estimate as this was the first year of the Shared Service. Risk scores had not been applied by South Oxfordshire to the Proactive Anti-Fraud and Post Implementation Review – Revenues Joint Audits, as these had not been previously audited. Furthermore, it was noted that by using identical methodology across each authority in determining risk scores, this was likely to bring scores for similar services across each authority closer together. Furthermore, allowing a single Auditor to undertake similar audits across each authority would allow a true comparison to be made, enable the spread of good practice and increase the experience of the individual auditor. In respect of the number of audit days allocated to each audit set out in the plan, the Head of Finance confirmed that the external auditor was content with the number of days allocated despite the Vale being smaller than South Oxfordshire in terms of population. Finally, it was accepted that in the event that an audit made recommendations beyond normal audit recommendations, it might be necessary for the Scrutiny Committee to consider the issue matter.

RESOLVED

*that the one year strategic Internal Audit Plan for 2007/08 be approved.*

AG.13 External Audit and Inspection Plan 2007/08

The Committee received and considered report 26/07 which set out the External Audit and Inspection Plan for 2007/08. It was noted that the Plan had been discussed and agreed in principle by the Chief Executive and the Directors. The Plan noted a number of highlights as follows:-

- CPA (page 5) – In 2003 the Council had been judged to be 'Fair' using the national Comprehensive Performance Assessment framework
- Value for Money (pages 6-7) - The Council was currently judged to score a '2' out of 4 (1 being inadequate, 2 being adequate, 3 being performing well and 4 being performing strongly) using the national 'Value for Money' assessment. The rules were being tightened which could result in the score slipping unless additional criteria was met. The Auditor had provided details of significant VFM risks in Appendix 1 (pages 16 - 17)
- Risk assessment (page 9) - The Auditor assesses the various risks as part of his planning exercise. The two new risks identified for 2007/08 are the significant changes in Vale's and South Oxfordshire's financial systems as a result of creating the Shared Service; and, changes to the statutory accounting requirements.
- Audit fee (page 13) - The audit fee had increased slightly, from £93,500 for 2006/07 to £97,100 for 2007/08. The grant certification fee had also increased, from £27,000 for 2006/07 to £31,000 for 2007/08. Full details were provided in Appendix 2 (page 18). The Council was addressing the cost-reduction suggestions made on page 20.
- Planned outputs (page 15) - Each of the Auditor's reports would be formally reported to Members.

The Strategic Director and Chief Finance Officer reported the apologies of the External Auditor, who was unable to attend the meeting.

The Head of Finance reported that South Oxfordshire District Council's Audit and Governance Committee had met the previous evening and resolved to note the report and stated that questions would be asked of the External Auditor at its next meeting.

The Strategic Director and Chief Finance Officer reported that the decision to appoint external auditors to local authorities was a matter for Central Government although it was possible for a local authority to petition the Government to change its External Auditor. In respect of the audit fees charged, he advised that these were set nationally.

One Member asked whether consideration had been given to the specific actions identified which the Council could take to reduce its audit and inspection fees. In response, the Head of Finance advised that the Council would endeavour to provide good working papers to assist the Inspectors but it had been recognised that entering the first year of shared services increased the level of risk which might increase the audit fee. The Strategic Director and Chief Finance Officer explained that the Council had been identified as being weak in three areas which could potentially result in extra audit days and that flow charting techniques would take time to implement.

It was agreed that the External Auditor should be invited to the next meeting of the Committee.

*RESOLVED*

- (a) *that the External Audit and Inspection Plan 2007/08 be noted and that the External Auditor be advised that the Committee wishes to discuss the report further at its next meeting;*
- (b) *that the Strategic Director and Chief Finance Officer be delegated authority to approve the External Audit and Inspection Plan 2007/08 if it is deemed necessary.*

**Exempt Information Under Section 100A(4) of the Local Government Act 1972**

None

The meeting rose at 9.55 pm

Amendments to Statement of Accounts

- 1 page 1 para 2.2

seventh line £14,775m should be £14.735m and £0.276m should be £0.316m

- 2 page 3 Responsibilities of the Chief Finance Officer

Fifth point in paragraph 2 should be labelled e) not d) again.

Also amend paragraph 3 and add paragraph 4

Having re-read the SORP it seems that the Chief Finance Officer should actually certify that the accounts present fairly the financial position etc. and this date would be when the accounts are authorised for issue (subject to audit). This date could be before or after presentation to Committee but should be before the end of June.

It would be good practice for the Chair of the Audit and Governance Committee to certify that the Statement of Accounts has been considered and approved.

3. page 14 Statement of Accounting Policies

Add new paragraph 17

The SORP also requires a note of the date up to which events after the balance sheet date have been reflected. It would make sense for this date to be when the accounts are authorised as in 1 above.

4. page 16 Note of reconciling items for the Statement of Movement on the General Fund Balance (the second table).

First line, remove "not". Should say "Amounts included in the Income and Expenditure account... etc.

Further down, remove lines for Minimum Revenue Provision, Capital expenditure charged to General Fund balance and Voluntary revenue provision for capital financing. These are either not applicable at this authority or have nil balances in both years.

5. page 18 Balance sheet. 3 sub-totals in the middle need correcting.

6. page 19 Cash flow statement.

Cash inflows. Figures for NNDR receipts from national pool and NNDR receipts are transposed. (56,216) s/b (5,507) and vice versa.

7. page 27 note 21, Debtors and page 28 note 23, Creditors

Previous year combined figure for Council Tax and Business Rates split to show value of each so matches current year.

8. page 28 note 21, Creditors

Add "Other" to Income in advance because some income in advance is also included under Council Tax payers and Business Rate payers.

9. page 38 Property Trading Statement.

Line added to show surplus on developing plots at Mobile Home Parks so that table agrees with figure in I & E.