

AG.13

MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

HELD AT THE GUILDHALL,
ABINGDON ON TUESDAY,
25TH SEPTEMBER, 2007
AT 7.00PM

Open to the Public, including the Press

PRESENT:

MEMBERS: Councillors Tony de Vere (Chair), Matthew Barber, Terry Cox and Janet Morgan.

SUBSTITUTE MEMBER: Councillor Richard Farrell for Councillor Laurel Symons.

ALSO PRESENT: Maria Grindley and Mary Fetigan (District Audit).

OFFICERS: Steve Bishop, Andrew Fisher, Jason Lindsey, Adrianna Penn and Marcia Slater.

NUMBER OF MEMBERS OF THE PUBLIC: None.

AG.14 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 Laurel Symons.

AG.15 Minutes

The Minutes of the meeting of the Committee held on 27 June 2007 were adopted and signed as a correct record.

AG.16 Declarations of Interest

None.

AG.17 Urgent Business and Chair's Announcements

None.

AG.18 Statements and Petitions from the Public Under Standing Order 32

None.

AG.19 Questions from the Public Under Standing Order 32

None.

AG.20 Membership of the Committee - Article 8 of the Constitution

The Committee noted that in accordance with Article 8 of the Council's Constitution – Regulatory and Other Committees, the membership of the Audit and Governance Committee would normally include a District Councillor from the Standards Committee, at least one Member of the Executive and at least two Members of the Scrutiny Committee. The Article stated that the meeting would not normally be chaired by the Member of the Executive. The current Chair was Councillor Tony de Vere, the Executive Member with responsibility for Finance. In view of the advice set out in Article 8, Councillor de Vere had advised of his intention to resign as Chair before the next meeting of the Committee but remain as a Member of the Committee. The election of a new Chair for the remainder of the 2007/08 Municipal Year would be sought.

AG.21 External Audit and Inspection Plan 2007/08

At the last meeting of the Committee (Minute AG.13 refers), the External Audit and Inspection Plan 2007/08 was noted and in the absence of the External Auditor it was agreed to discuss the report further at this meeting. In presenting the report, the External Auditor apologised for not being present at the last meeting. In considering the report, Members asked a number of questions, the answers to which are set out below:-

Question	Answer
Why has the planned audit fee for 2007/08 increased?	The fee is set in accordance with guidance issued by the Audit Commission (AC) and the fee proposed was 3% lower than that recommended by the Commission. The fee had increased for the following reasons:- <ul style="list-style-type: none">• New audits, such as the National Fraud Initiative• Additional resourcing to reflect the new International Standards for Auditing requirements• Outsourcing of the Council's financial services and the need for increased testing.
The Audit Plan sets out specific actions the Council could take to reduce its audit fee. What is the Council proposing to do to achieve this reduction?	The quality of the final accounts working papers was improving each year and each Accountant had clear responsibilities in ensuring that all paperwork was correct and complete. Some information had not been provided due to differences with External Audit regarding interpretation of the Statement of Total Recognised Gains and Losses and changes to the Statement of Recommended Practice. There had been improvements during 2006/07 with one

	<p>Officer co-ordinating the production of the working papers.</p> <p>In respect of ensuring that IA work incorporated AC requirements, meetings to agree a joint approach for future work would be organised.</p> <p>Providing evidence files for the Use of Resources Assessment required the Council to provide evidence of good financial control to support self assessment. The more evidence provided up front the less time required of External Audit in seeking the information. However, the amount of time available to gather the evidence was dependent on staff resources.</p>
Appendix 1 – Initial Risk Assessment – who has responsibility for progressing the work on reducing health inequalities?	Deputy Director (Environmental Health) is leading on this work, assisted by the Council’s Equalities Officer.
Appendix 1 – What is meant by missed opportunities for partnership working across the County?	<p>As part of the work on the Oxfordshire unitary bid many partnership working opportunities had been identified. Despite the rejection of the unitary bid, the Council had been recommended to continue to identify and work up efficiency savings through partnership working. The Vale was at the forefront of local authorities in seeking partnership working opportunities.</p> <p>There is huge appetite across Oxfordshire council’s to achieve economies of scale through the partnership approach.</p>

AG.22 2006/07 Financial Statements Update

The Committee received and considered report 64/07 which detailed the Statement of Accounts 2006/07, updated following the audit undertaken by the External Auditor. The Strategic Director and Chief Finance Officer explained in detail the changes that had been made to the Statement of Accounts since their initial consideration at the last meeting of the Committee in June.

One Member asked the External Auditor whether any of the issues raised during her audit of the Statement of Accounts had given rise to any concern which might risk the Council’s finances. In response, the External Auditor explained that there was significant risk around some areas of the Council’s operations but she recognised that

the Council had undertaken much work to mitigate those risks. She confirmed that these matters would be kept under review and appropriate action taken if necessary. In respect of the actions identified in the Statement of Accounts which the Council was committed to completing during 2007/08, the Strategic Director and Chief Finance Officer confirmed that he was confident that these would be completed. Furthermore, Councillor Tony de Vere, the Portfolio Holder with responsibility for Finance, explained that the Ridgeway Shared Services Partnership Board would be keeping this matter under regular review.

The Chair thanked the Officers for their hard work in producing the amended Statement of Accounts.

RESOLVED

- (a) *that the amended 2006/07 financial statements be approved and that imminent completion of the audit process be noted;*
- (b) *that the Strategic Director and Chief Finance Officer be requested to report to the next meeting of the Committee giving an update on the actions identified in the Statement of Accounts, which the Council was committed to completing during 2007/08.*

AG.23 External Auditor's Annual Governance Report

The Committee received and considered report 65/07 which set out the Council's External Auditor's Annual Governance Report 2006/07. In presenting the report, the External Auditor placed on record her appreciation at the work and assistance given by the Vale Officers in compiling the report and she confirmed that she expected all work to be completed by the statutory deadline of 30 September 2007. She confirmed she was satisfied with the Council's Statement of Internal Control and that the Council's value for money conclusion was acceptable in the majority of areas, although confirmation and clarification was being sought in some areas. The External Auditor confirmed that the Audit had been an improvement on the previous year and that the majority of papers requested to assist in the Audit had been provided promptly. However, in common with other local authorities, there had been some problems encountered in producing the Statement of Total Recognised Gains and Losses and some identified weaknesses in the Council's systems of internal control, namely, journal entries into the main accounting system, the format of bank reconciliation and the annual assurance framework for the statement of internal control.

In response, the Strategic Director and Chief Finance Officer advised that the concern raised regarding journal entries and the need for the drafting of the journal and the checking to be undertaken by separate officers, was a problem given the current level of accountancy resource at the Council. He hoped that the shared service with South Oxfordshire District Council, which would provide greater resilience in the accountancy function, would enable this weakness to be overcome. However, he reminded the Committee that the Council had other internal controls in place to ensure that such matters were dealt with correctly. In respect of the format of the bank reconciliation remaining inadequate, the Strategic Director and Chief Finance Officer expressed his

frustration that this matter had still not been clarified internally and that the reconciliation was not being undertaken in accordance with External Audit requirements. He hoped that once the Agresso 5.5 financial management system was operating effectively a standard bank reconciliation process would become established and responsibility for bank reconciliation might be transferred to Capita.

The External Auditor confirmed that the adequacy of the Council's system of internal control would be kept under review and that further discussions would be held with the Strategic Director and Chief Finance Officer. The outcome of those discussions would be reported to a future meeting of the Committee.

RESOLVED

that the External Auditor's Annual Governance Report 2006/07 be received and that the External Auditor be requested to report further on the outcome of discussions with the Strategic Director and Chief Finance Officer on the adequacy of the Council's systems of internal control.

AG.24 Internal Audit Management Report Quarter 2

The Committee received and considered report 61/07 of the Audit Manager which summarised the progress of internal audit against the 2007/08 audit plan; set out the revised internal audit allocation and remaining audit plan for 2007/08 and explained the process used for recalculating the resources available; and summarised the priorities and planned audit work for 2007/08 Quarter 3. Referring to Appendix 2 to the report, the Audit Manager amended the first column to read March 2008. Furthermore, in respect of the proportion of chargeable days set at 63%, the Audit Manager confirmed that national guidance expected this figure to be closer to 79%. However, this figure was unrealistic for the current year due to the amount of work having been undertaken preparing for and operating the shared audit service. However, she expected the figure to be closer to 79% in 2008/09.

In respect of the risk scores given to similar audits by the Vale and South Oxfordshire District Councils, it was noted that each authority used similar methodology for undertaking audits but that different weightings were given to elements of the audit. However, now that the Audit Manager was in post it was hoped that this would provide a level of consistency across the two authorities. Referring to the number of audit days remaining for the year, the Audit Manager explained that South Oxfordshire had more audit days compared to the Vale because it had carried a number of staff vacancies and undertaken additional unplanned audits during the year. Furthermore, she explained that the Vale figure did not reflect the work undertaken as part of the Vale's flood review unplanned audit.

RESOLVED

- (a) *that report 61/07 be received; and*
- (b) *that the revised internal audit allocation for 2007/08 detailed in Appendix 2 to report 61/07 be approved.*

AG.25 Internal Audit Activity Report (2007/08)

The Committee received and considered report 62/07 of the Audit Manager which summarised the outcome of recent internal audit activity. Appendix 1 to the report set out the key points and findings relating to completed audits in respect of refuse collection and recycling.

The Committee discussed the importance of Executive Members being made aware of actions contained in Internal Audit reports. Furthermore, it was recognised also that governance matters were not only the responsibility of the relevant portfolio holder but also a matter for the Audit and Governance Committee. The Committee was reminded that at its last meeting it had recognised the importance of auditees, who had failed to respond to internal audit reports within the agreed timescale, being summoned to appear before the Audit and Governance Committee to provide an explanation. However, it was accepted that if an Internal Audit report was satisfactory and the auditee had responded in accordance with the agreed timescale, then the auditee would not be expected to attend the Committee when the report was discussed. It was suggested that the attendance of auditees at meetings of the Committee should be discussed at the pre-agenda meeting. It was suggested also that the Opposition Members on the Committee should be provided with copies of the Internal Audit summary reports so that they could request the attendance of an auditee at a meeting of the Committee.

In respect of the two audits before the Committee, it was agreed that the Portfolio Holder with responsibility for Waste Management and Recycling should be provided with a copy of the audit report and that such practice should be adopted as common practice by all Deputy Directors in the future.

RESOLVED

- (a) that report 62/07 be received;*
- (b) that the attendance of auditees at meetings of the Committee, when their respective Internal Audit reports are to be discussed, be determined at pre-agenda meetings and that Opposition Members of the Committee be provided with copies of the summary reports also so that they can make a request to the Chair of the Committee seeking the attendance of auditees;*
- (c) that the Internal Audit reports relating to Refuse Collection and Recycling be forwarded to the Portfolio Holder responsible for those areas and that Deputy Directors be requested to ensure that all future Internal Audit reports are sent to the relevant Portfolio Holder.*

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

None.

The meeting rose at 8.55 pm