

# AG.19

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

**HELD AT THE GUILDHALL,  
ABINGDON ON TUESDAY, 15TH  
JANUARY, 2008 AT 7.00PM**

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

PRESENT:

MEMBERS: Councillors Terry Cox, Andrew Crawford, Bill Melotti, Jerry Patterson (Ex-Officio) and Tony de Vere

SUBSTITUTE MEMBERS: Councillor Bill Melotti for Councillor Matthew Barber; Councillor Judy Roberts for Councillor Laurel Symons; Councillor Richard Webber for Councillor Janet Morgan

EX-OFFICIO MEMBER: Councillor Jerry Patterson

OFFICERS: Helen Bishop, Steve Bishop, Steve Culliford, William Jacobs, Penny O'Callaghan, Adrianna Penn, Marcia Slater and Paul Staines

INVITEES: Mary Fettigan and Alison Dewer (Audit Commission)

NUMBER OF MEMBERS OF THE PUBLIC: Nil

AG.26 APPOINTMENT OF CHAIR

The Committee was asked to appoint a Chair of the Committee for the remainder of the 2007/08 Municipal Year to replace Councillor Tony de Vere who had resigned.

*RESOLVED*

*that Councillor Andrew Crawford be appointed Chair of the Committee for the remainder of the 2007/08 Municipal Year.*

AG.27 NOTIFICATION OF SUBSTITUTES AND APOLOGIES FOR ABSENCE

The attendance of Substitute Members, who had been authorised to attend in accordance with the provisions of Standing Order 17(1), was recorded as referred to above with apologies for absence having been received from Councillors Matthew Barber, Janet Morgan and Laurel Symons.

AG.28 MINUTES

The minutes of the Committee meeting held on 25 September 2007 were adopted and signed as a correct record.

AG.29 DECLARATIONS OF INTEREST

None.

AG.30 URGENT BUSINESS AND CHAIR'S ANNOUNCEMENTS

The Committee paused for a minutes' silence as a mark of respect and to remember Councillor Jim Moley and former Councillor Margaret Mackenzie, who had both passed away.

AG.31 STATEMENTS AND PETITIONS FROM THE PUBLIC UNDER STANDING ORDER  
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None.

AG.32 QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 32

None.

AG.33 INTERNAL AUDIT ACTIVITY REPORT 2007/08

The Committee received and considered report 133/07 of the Audit Manager, which summarised the outcome of recent internal audit activity. Appended to the covering report were reports resulting from seven audits carried out on Vale services by the Internal Audit service. The Committee reviewed the Internal Audit reports and the main issues arising.

Rent Accounting

The Internal Audit report gave an 'unsatisfactory' rating to the Rent Accounting service. However, the Audit Manager recognised that there had been improvements since the review.

The Deputy Director (Housing and Community Safety) had been invited to the meeting to respond to the audit report. He explained the complicated nature of the debt collection process and the need to obtain Court orders. This was a different procedure to other forms of debt collection across the Council but there was no separate rent arrears debt collection policy; the corporate debt collection policy was used. Previously, the rent arrears had been collected through the Council's corporate sundry debtor system but a new system had been employed to collect rent accounting data, which then provided debt data for monthly transfer to the Council's financial management system.

The Chief Finance Officer reported that he wanted to investigate this area further, in particular whether using the Housing system was better than using the Council's corporate debt recovery system.

The Committee accepted the explanation of the Deputy Director that these were difficult debts to collect but also agreed that further investigation was necessary to find the most effective solution. The effectiveness of debt recovery was the key issue. Systems should not get in the way of implementing policy but should help the Council achieve it.

Members asked that consideration was given to whether the corporate policy was sufficient or whether it needed to be adapted for rent collection purposes. The Deputy Director agreed to look at this with the Portfolio Holder and report back in due course. It was recognised that any change to policy would require a decision of the full Council. The Deputy Director agreed to bring this action forward for completion by June 2008 (reference 5.4.27 in the Audit report).

The Audit Manager reported that the audit could not determine whether the system was effective. There was more work to do and an audit review would be undertaken after six

months. Members requested some comparative data with other Councils as well as details of the debt trend following adoption of the new system. The Committee was reminded of the need for Internal Audit to remain independent; therefore, the Chief Finance Officer agreed to investigate this.

## Cash

The Committee noted that the Cash audit had resulted in a 'satisfactory' rating. The Audit Manager reported that all income arrangements in the Vale would be reviewed in 2008/09.

## Insurance

It was noted that this audit had resulted in a 'satisfactory' rating. A restructuring had taken place of this service but for the Vale this role would still be carried out by the Head of Asset Management. The Deputy Director (Finance) reported that he would be following up the actions.

## Health and Safety

This audit had rated the Health and Safety service as 'satisfactory'. It was noted that health and safety checks were carried out on contractors. This was a two-level check. The client monitoring officer would carry out checks and call on the Health and Safety Adviser if necessary.

## Excess Charges

This service had been rated 'good'. The Committee welcomed the audit report.

## Environmental Protection

This service had also been rated 'good'. Members were pleased with the outcome.

## SOLL Leisure Contract

This audit had attracted a 'satisfactory' rating. It was reported that the recruitment exercise to fill the vacant contractor monitoring officer post had been unsuccessful. In the interim, the Leisure Facilities Manager and the Parks monitoring officer was monitoring the SOLL contract. Members were pleased that this interim measure had been put in place.

The Committee discussed the general point of contract monitoring, any contract, not just the SOLL Leisure contract. Members considered that contract monitoring was of such importance that monitoring should continue, even in the event that a monitoring officer was absent or had left the Council's employment. Interim measures must be put in place to monitor contracts in these circumstances. Members asked that the Deputy Director (Contracts and Procurement) should be asked to ensure this happened across all services.

RESOLVED

- (a) *that report 133/07 be noted;*
- (b) *that in relation to the Rent Accounting Audit:*
- (i) *that the Deputy Director (Housing and Community Safety) be invited to investigate whether there should be a specific debt collection policy for rent arrears and make recommendations on any changes;*
  - (ii) *that Internal Audit and the Chief Finance Officer be invited to investigate further the effectiveness of rent arrears debt collection;*
- (c) *that the Deputy Director (Contracts and Procurement) be requested to ensure that contract monitoring is in place for all contracts, even in the event that a monitoring officer is absent or has left the Council's employment.*

AG.34 INTERNAL AUDIT CHARTER

The Committee received and considered report 131/07 of the Audit Manager, which presented the Internal Audit Charter. This set out the definition and purpose of the Internal Audit function, where the function derived its authority from, its rights of access, and the responsibilities of the function.

The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice for Internal Audit in Local Government in the UK 2006' stated that the purpose, authority and responsibility of internal audit must be formally defined by the organisation in terms of reference consistent with the Code. The terms of reference should:

- establish the responsibilities and objectives of Internal Audit
- establish the organisational independence of Internal Audit
- establish the accountability, reporting lines and relationships between the Head of Internal Audit and those charged with governance, and those to whom the Head of Internal Audit might report
- recognise that Internal Audit's remit extended to the entire control environment of the organisation
- identify Internal Audit's contribution to the review of the effectiveness of the control environment
- require and enable the Head of Internal Audit to deliver an annual audit opinion
- define the role of Internal Audit in any fraud-related or consultancy work
- explain how Internal Audit's resource requirements would be assessed
- establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considered necessary to fulfill its responsibilities

Attached to the report was the proposed Internal Audit Charter. This brought together the arrangements that had been made to ensure that the internal audit function complied with the CIPFA Code of Practice and could exercise effectively its responsibilities under Section 151 of the Local Government Act 1972.

The Charter would apply to the provision of services at both this Council and South Oxfordshire District Council, and would be reviewed at least annually, with any revisions being submitted to the Audit and Governance Committee for approval.

Members considered the Internal Audit Charter and approved its contents.

*RESOLVED*

*that the Internal Audit Charter be approved.*

AG.35 INTERNAL AUDIT MANAGEMENT REPORT QUARTER 3

The Committee received and considered report 132/07 of the Audit Manager, which reported on management issues for the third quarter of 2007/08 (October to December 2007). The report also summarised the progress of Internal Audit against the 2007/08 Audit Plan and summarised the priorities and planned audit work for the fourth quarter (January to March 2008).

The Committee noted that the Internal Audit service had successfully harmonised the audit approach and audit working papers between the Vale and South Oxfordshire. The rationalisation and merging of the electronic and paper filing systems had also been completed and meetings were now being set up with all managers to introduce the new audit approach and to commence the audit planning for 2008/09.

Due to a staff vacancy from 11 September 2007, Internal Audit had to undertake a recruitment process. A new Auditor had started on 2 January 2008. Sandwith Limited (external consultants contracted to supplement the internal audit function) had joined the Internal Audit service in November 2007 and would continue working with the shared service until February 2008. With this assistance, Internal Audit was on track to complete the 2007/08 Audit Plan. Seven tenders had been invited for the provision of Internal Audit services for a three year 60 day contract starting in 2008/09. It was anticipated that a contractor would be appointed in March 2008.

The Committee noted progress against the approved audit plan. As the harmonisation process had been completed, the Audit Manager was confident that the target could be met and all planned audit work completed by the year end and work would commence on the audit planning process for 2008/09.

The Committee welcomed the news that the harmonisation process had been completed smoothly and recognised the benefits the shared service had brought. It was noted that the amount of work undertaken for each Council would be monitored. If there was more than a 60/40 imbalance, this would be addressed through a review.

*RESOLVED*

*that report 132/07 be noted.*

AG.36 SECURING IMPROVEMENTS - AUDIT COMMISSION

The Committee received and considered report 134/07 of the Deputy Director (Organisational Development) regarding the Audit Commission's report "Next Steps in

Securing Improvement". This was a detailed audit of the Council's Organisational Development programme. This looked at how the Council had been working to improve its managerial capacity and made recommendations for continued improvement. Members noted that the evidence gathering by the Audit Commission had taken place between January and May 2007. Therefore, many of the issues raised in this report had been progressed.

Appended to the Deputy Director's report was an action plan which had been agreed with the Audit Commission. It was noted that some of the dates in the action plan had been revised to provide a more realistic timescale. The External Auditor present at the meeting supported this.

The External Auditor was invited to address the meeting. Mary Fettigan reported that the Audit Report on Securing Improvement was a method to check that the Council was implementing its improvement plan following the Comprehensive Performance Assessment. Alison Dewer reported that the audit had been carried out when staff morale had been very low which led to the five recommendations in the report. Since then much had changed: staff feedback was more positive about communication from management. The feeling was that the Council was improving. However, the report contained five significant recommendations:

- There should not be change for change's sake - the organisational change programme needed to deliver improvements that brought value for money and were recognisable for local people
- There should be an improvement in the accountability of the organisational change programme
- There should be an improvement in the accountability of leadership - supporting all Councillors in their shared leadership of the Council's objectives and priorities
- There should be an increase in the development capacity of the Council
- There should be a system to ensure action on external reports and their recommendations

The Audit Commission would be providing a further update commentary, possibly at the end of March as part of the Audit Letter or as part of the Audit Commission's programme in 2008/09.

The Deputy Director highlighted some of the improvements that had been implemented. A new service review methodology had been introduced to gain greater efficiencies; a consultation strategy and a communications strategy had been introduced; a revised website was shortly to go 'live'; and an equalities action plan had been approved and equality impact assessments were underway.

It was intended to report on the actions against these recommendations through the Corporate Governance Report. The Committee recognised that the Corporate Governance Report was considered by the Executive and the Scrutiny Committee but felt that progress on these recommendations should be reported to this Committee also.

*RESOLVED*

- (a) *that the Audit Commission's "Next Steps in Securing Improvement" report be noted and the associated action plan be approved; and*
- (b) *that progress against the action plan be reported to this Committee separately from the proposed reporting mechanism through the Corporate Governance Report to the Executive and Scrutiny Committee.*

AG.37 COMPLETION OF THE 2006/07 AUDIT

Members recalled that the Committee had approved the audited Statement of Accounts at its meeting on the 25 September 2007 following a satisfactory audit by the Audit Commission. In accordance with Regulation 18(4) of the Accounts and Audit Regulations 2003 the Responsible Financial Officer notified the Committee that the Statement of Accounts had been certified by the external Auditor with an unqualified opinion. This formally completed the audit process.

*RESOLVED*

*that the formal closure of the 2006/07 audit process be noted.*

AG.38 ACTIONS ARISING FROM THE 2006/07 STATEMENT OF ACCOUNTS -  
PROGRESS REPORT

The Committee received and considered an agenda report and appendix updating on progress made with the actions arising from the Statement of Accounts 2006/07. During the preparation and audit of the Statement of Accounts several weaknesses had been found in the Council's financial controls. These were explained in the Statement on Internal Control, which formed part of the published Statement of Accounts. The External Auditor had qualified her Use of Resources Opinion of the Statement of Accounts due to the cumulative effect of these weaknesses.

At its meeting on 25 September 2007 the Committee had recognised the importance of completing the remedial actions identified by the Chief Finance Officer in the Statement of Accounts. The Committee had requested an update report to its next meeting.

The Chief Finance Officer gave a progress report against each of the four actions in the table appended to the agenda. In relation to the first item - implementation of the new Agresso financial management system - he reported that the percentage of the project completed was his subjective assessment to illustrate the position and the work still needed to be carried out.

A point of principle was raised that where the Council had contracted out a service, it must monitor the contract carefully. In the case of the Agresso implementation the contractor, Capita, had responsibility to carry out controls. Assurances were sought that these controls were being imposed by Capita. It was agreed that contract monitoring was an important aspect of service provision. In this case, periodic checks took place to monitor the controls required by Capita. The officer agreed to investigate whether further spot checks could be made.

The Chief Finance Officer gave an update on the progress with the implementation of the Agresso financial management system. A fully trained project manager had been appointed before Christmas 2007 to manage the Vale-South Oxfordshire responsibilities in the implementation project. The project manager was fully employed by the Council, not Capita. The first task had been to list the tasks that needed to be carried out and order them based on relative dependencies. An activity plan had been agreed with Capita and work was proceeding on this. He hoped the implementation would be completed by the first week in April and hoped that the issues could be resolved without the need for contractual remedies. In answer to a question from a Member, it was reported that the problems with the implementation had not affected the predicted shared service cash savings in terms of staff transfers and printing new stationery but there had been an from additional staff time required to implement the new financial management system.

Members then reviewed the remaining three actions in the appendix. In relation to the second item, it was noted that the documentation of the financial processes by Capita should be completed by April also. In relation to the third item - updating of financial regulations following the introduction of shared financial services - the timing of this action was dependent on the financial management system being stabilised and processes harmonised with South Oxfordshire District Council. It was hoped this would be carried out in 2008/09.

The Committee asked that these actions arising from the Statement of Accounts 2006/07 should be kept under review and that an update was given to the next meeting of the Committee.

*RESOLVED*

*that the progress made against the actions resulting from the 2006/07 Statement of Accounts be noted and a further update be made to the next meeting of the Committee.*

AG.39 DATE OF NEXT MEETING

The Committee noted that the date of its next meeting had changed and would now be held on Wednesday 19 March 2008. Members opted for a 6.30pm start.

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

None

The meeting rose at 9.23 pm