

AG.1

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

**HELD AT THE GUILDHALL, ABINGDON
ON MONDAY, 30TH JUNE, 2008 AT
6.30PM**

Open to the Public, including the Press

PRESENT:

MEMBERS: Councillor Andrew Crawford (Vice-Chair), Matthew Barber, Terry Cox, Bill Melotti, Janet Morgan, Mike Murray, Jerry Patterson, Judy Roberts and Tim Smith

SUBSTITUTE MEMBER: Councillor Tony de Vere (in place of Councillor Dudley Hoddinott - Chair)

OFFICERS: Graham Ammundsen, Steve Bishop, Alice Brander, Steve Culliford, Paul Howden, William Jacobs, Andrew Morgan, Penny O'Callaghan, Harry Oliver, Adrianna Penn, Marcia Slater and Tim Treuherz

NUMBER OF MEMBERS OF THE PUBLIC: Nil

AG.1 **CHAIR AND VICE-CHAIR**

The Committee noted that at the Annual Meeting of the Council held on 21 May 2008, Councillor Dudley Hoddinott and Councillor Andrew Crawford were appointed as Chair and Vice-Chair respectively of this Committee for the 2008/09 Municipal Year.

AG.2 **NOTIFICATION OF SUBSTITUTES AND APOLOGIES FOR ABSENCE**

The attendance of a Substitute Member who had been authorised to attend in accordance with Standing Order 17(1) was recorded as referred to above with an apology for absence having been received from Councillor Dudley Hoddinott, the Committee's Chair.

Vice-Chair, Councillor Andrew Crawford, took the Chair for this meeting.

AG.3 **MINUTES**

The minutes of the Committee meeting held on 19 March 2008 were signed and adopted as a correct record.

AG.4 **DECLARATIONS OF INTEREST**

None

AG.5 **URGENT BUSINESS AND CHAIR'S ANNOUNCEMENTS**

None

AG.6 STATEMENTS AND PETITIONS FROM THE PUBLIC UNDER STANDING ORDER
32

None

AG.7 QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 32

None

AG.8 INTERNAL AUDIT ACTIVITY REPORT QUARTER 1 2008/09

The Committee received and considered report 38/08 of the Audit Manager, which summarised the outcomes of recent internal audit activity for the Committee to consider. The Committee reviewed the report and the main issues arising and sought assurance that action would be taken where necessary.

The Committee noted that there were seventeen audit reports that had been completed in the period since its last meeting. Most had resulted in Internal Audit awarding a 'satisfactory' or 'full' assurance rating. Members were generally satisfied with the outcome of these audits but asked for further assurance in the five audits that had only achieved a 'limited' assurance rating and sought answers in some cases where a satisfactory rating had been given.

Creditor Payments

A limited assurance rating had been given to this service following the recent audit. Members asked several questions.

Members noted that a member of staff who had left Capita's employment had had their User ID retained to enable reports to be run. Members noted that the password had been changed since and the former member of staff would no longer be able to access the Agresso system.

It was reported that the Best Value Performance Indicator 8, regarding the payment of invoices on time, was more complicated to collate under the new version of the Agresso software. A request had been made to Agresso to fix this problem. In the meantime a solution had been agreed and it was hoped that this would be introduced over the next month.

The Chief Finance Officer accepted that there had previously been an issue over the same member of staff being able to requisition an order and approve it. However, this was no longer possible under the latest version of the Agresso software. Controls had been introduced to stop this.

With regard to the process for checking that duplicate payments were not made, it was noted that these checks were made every month following the receipt of a report from Capita. Members felt that monthly checks should be made a standard.

Members noted that the Financial Regulations would be reviewed this summer and were due to be considered by the Constitution Advisory Group in September.

Elections

Although this audit had resulted in a satisfactory assurance rating, a concern was expressed at the security at election counts. It was requested that this should be fed back to the Elections manager for consideration. Also, Members sought to know whether this Council submitted reports to the Government on fraud monitoring during an election. The Audit Manager agreed to take this up with the service manager.

White Horse Leisure and Tennis Centre

This audit had received a 'limited' assurance rating. It was noted that the managers responsible for this service were unable to attend the meeting due to other commitments. In the absence of the relevant manager, it was agreed to defer this audit report to the next meeting of the Committee in September.

Members raised a point about contract monitoring generally, not just this contract. They felt that every single contract let by the Council should be monitored and assurance should be given to Members that the contracts were running smoothly or problems should be reported. It was noted that a Contract Monitoring Audit was due to take place later this year and this could be considered at that stage.

Data Protection

This audit had received a 'limited' assurance rating. Members noted that since 2006, there had been little activity from the Data Protection Officer Group as the Chairman and Data Protection Officer had left the Council. However, the Head of Legal Services reported that he intended to review the policy and guidance and tackle the recommendations contained in the audit. He pointed to the work carried out by ICT staff in issuing regular reminder e-mails to all staff on data protection issues and hoped this would continue. He would also assess a training course to test its relevance for rolling out a staff training programme.

Concessionary Fares

Although this audit had received a 'satisfactory' rating, Members asked for reassurance that the new bus pass system was not being used fraudulently by tickets being issued with the wrong prices by mistake. It was reported that sampling had revealed that the difference between the charge to the Council and the actual cost was negligible. The Chief Finance Officer considered there was a very low risk of the Council being charged incorrectly.

Land and Property

This audit had received a 'limited' assurance rating. It was noted that the intention was to use the IDOX Uniform system to provide the electronic 'terrier' property database and document repository. Training would be given to staff in the Property Services team once the data had been added and verified.

It was noted that there were many parcels of land that had not been valued since the transfer of the Council's housing stock. These were mostly small areas such as grass verges that had no development value. However, Members believed that these areas could hold some value for the Council. It was noted that it would be a large task to register and value all of these landholdings. The task would be broken down into high and low priority areas. Officers were asked to take care when prioritising the registration and valuation of these areas as some smaller areas may be more valuable than larger ones.

Members raised a general point about staff training following the introduction of new software. It was considered imperative to train staff as new software was introduced as not to do so would be a waste of resources. The Audit Manager reported that this would be an element in the audit of Human Resources.

The audit review after six months would look at the effectiveness of the changes introduced.

ICT

Although this audit had received a 'satisfactory' assurance rating, Members queried why the service manager had not agreed to Internal Audit's recommendations to regularly monitor and review Internet and e-mail usage by staff. Members considered that this was important and should be monitored by software. However, it was suggested by officers that although usage was recorded and accurate records were available to prove any security breaches, it did not require continual monitored by service managers. The Chief Finance Officer reported that he would assess where action was needed.

National Non-Domestic Rating

This audit had received a 'limited' assurance rating. Members expressed concerns that the management responses did not deal with the recommendations. The service manager reported that he did not agree with many of the recommendations and was not concerned with the performance of the service. However, he agreed to meet with Internal Audit to discuss the issues and his management responses. The Committee's Vice-Chair asked to be kept informed of progress.

Refuse Collection and Street Cleansing

The Committee discussed the follow-up review of the actions taken since the audit of refuse collection and street cleansing. This audit had received a 'satisfactory' assurance rating. It was noted that discussions with the Highways Agency had been resolved and a schedule of litter picking for the more difficult areas along the A34 and A420 had been agreed and work restarted.

RESOLVED

- (a) that the content of report 38/08 be noted; and*
- (b) that the audit report on the White Horse Leisure and Tennis Centre be deferred until the next meeting of the Committee in September.*

AG.9 ANNUAL AUDIT AND INSPECTION LETTER 2006/07

The Committee noted that the Annual Audit and Inspection Letter, issued in March 2008 by the Audit Commission, had provided an overall summary of the Audit Commission's assessment of the Council. This followed the most recent Comprehensive Performance Assessment, the findings and conclusions from the audit of the Council for 2006/07, and inspections undertaken since the last Annual Audit and Inspection Letter. The letter had been appended to the agenda as it had to be formally placed before the Committee.

The external audit manager, Anne Ockleston, was invited to present her report. She believed that there was now a more positive message about the Council's performance. The Council had a sustained focus and had done much to clarify and further its objectives. This clarity of purpose had improved cohesiveness across the Council, which was well placed to improve its performance further. She considered that the Council should monitor the outcomes of the Improvement Plan agreed with Capita and make plans to meet the changed requirements for financial statements and the Annual Governance Statement. Looking ahead, she believed the Council and its partners needed to work closely to ensure it was ready for the new Comprehensive Area Assessment.

The Use of Resources assessment score had improved from two out of four in the previous year to three out of four in the last assessment, a fifty percent improvement. Members welcomed this news.

In answer to questions from Members, the auditor reported that there was no direct overlap between the various assessments undertaken by the Audit Commission, so comparison of scores was not easy.

In order to prepare for the new Comprehensive Area Assessment, Members asked the external auditor to provide additional information.

RESOLVED

that the Audit and Inspection Letter issued by the Audit Commission in March 2008 be formally received and that further information on the new Comprehensive Area Assessment be sought from the Audit Commission.

AG.10 AUDIT AND INSPECTION PLAN 2007/08

Members recalled that the Audit Commission's Audit and Inspection Plan for 2007/08 had been placed before the Committee on the 27 June 2007. The Plan had provided details of the work to be undertaken by the Audit Commission during 2008/09, relating to the 2007/08 accounts, and had also provided a summary of the fees payable.

The Audit Commission had since issued a Supplementary Letter dated 2 June 2008. This advised that since the original Audit and Inspection Plan had been produced, additional risks had been identified and therefore the fees stated in the original Plan

would be insufficient to cover the extra work required. The external audit manager reported that an update on the revised cost would be provided in due course.

Anne Ockleston of the Audit Commission presented her Supplementary Letter. She highlighted the main concerns that had resulted in additional work. These related to:

- The implementation of the Agresso 5.5 software. More tests were needed on creditor payments, income and outstanding debtor invoices
- The National Non-Domestic Rating system required additional work to provide assurance that its outsourcing was working correctly
- There was a new Chief Accountant and changes to the accountancy team. The auditors needed to be assured that any issues were resolved
- There was a need to work with Payroll staff to provide reassurance
- There was a need to review the evidence produced by Legal and Property sections of ongoing rights and obligations for property assets

RESOLVED

that the Audit Commission's Supplementary Letter, dated 2 June 2008, and the likelihood of increased audit fees in 2008/09 be noted.

AG.11 CONTINUATION OF MEETING

At this point in the meeting, after two and a half hours, Members were asked to determine whether they wished to continue for an additional thirty minutes to complete remaining business.

RESOLVED

that in accordance with Standing Order 27(5) the meeting shall continue for an additional thirty minutes, if needed, to complete its business.

AG.12 APPROVAL OF THE 2007/08 STATEMENT OF ACCOUNTS

The Committee recalled that the Council had a statutory duty to publish its annual audited accounts. The accounts had to be signed by the Chief Finance Officer and had to be approved by the appropriate committee of the Council: this Committee had been delegated authority for that purpose. The draft accounts had been circulated as a separate document, after the agenda's publication.

The Chief Accountant introduced the accounts and highlighted the various sections. The format of the accounts had been standardised in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice.

It was noted that the income to the net cost of services on page 12 was subject to discussion with the Audit Commission on account of a prior year understatement of Housing Benefit debtors resulting in increased income in 2007/08. Members noted that an adjustment might have to be made to the final audited accounts. On page 17, the General Publicity figure for 2006/07 was amended to read £85,276. Page 42 onwards contained space for the Audit Commission's commentary. It was noted that the Audit Commission would carry out an on-site audit of the approved accounts in

order to provide an opinion on their accuracy and completeness. This could result in amendments, which would be reported at the Committee's September meeting.

In answer to a question from a Member, it was reported that there had been an income reduction from business rates due to several revaluations of business premises. It was noted that the Council's property portfolio was re-valued through a rolling five year programme.

The Committee was satisfied that the accounts were accurate and complete, subject to the amended figure above.

RESOLVED

- (a) *that the Statement of Accounts 2007/08 be approved, subject to the figure for General Publicity in 2006/07 being amended to read £85,276, and subject to subsequent amendments being agreed with the external auditor; and*
- (b) *that the Chair of the Committee be requested to sign and date the Statement of Accounts.*

AG.13 INTRODUCTION OF THE NEW ANNUAL GOVERNANCE STATEMENT

The Committee noted that the Governance reporting requirements for councils had changed once more. As from the 2007/08 accounts year (ending 31 March 2008), councils were now required to produce an 'Annual Governance Statement' instead of the previous Statement on Internal Control. The Annual Governance Statement had to set out the Council's arrangements for directing and controlling the organisation, set out its decision-making processes, and identify ways in which it led the community.

The statutory timetable for publishing the new Annual Governance Statement was 30 September 2008 for the 2007/08 accounts year. The Statement had to be as up-to-date as possible at the publication date. Therefore, Members noted that the Annual Governance Statement would be presented to the Committee for formal approval at its next meeting on 22 September 2008.

The Committee was also asked to note a related matter. On 6 June 2008, the Executive had considered report 24/08 on Council Aspirations for Future Performance Inspections. The Executive had resolved that officers should not expend any additional effort, than that already provided for in Service Plans, on the annual Use of Resources Assessment and on the production of the Annual Governance Statement. This meant that the Annual Governance Statement would be drafted to meet the minimum statutory requirements (minute Ex.18 refers). Members noted the Executive's decision.

RESOLVED

- (a) *that the change in governance reporting requirements be noted; and*

- (b) *that the Executive's decision regarding resources to be allocated to the annual Use of Resources Assessment and on the production of the Annual Governance Statement be noted.*

AG.14 INTERNAL AUDIT ANNUAL REPORT 2007/08

The Committee received and considered report 39/08 of the Audit Manager on the work of Internal Audit in the year ended 31 March 2008. The report also advised of the Audit Manager's opinion on the overall adequacy and effectiveness of the internal control environment. The report concluded that the Audit Manager was satisfied that sufficient work had been undertaken to allow a reasonable conclusion to be drawn on the adequacy and effectiveness of the Council's risk management, control and governance processes. The Audit Manager's opinion was based on the risk-based audits carried out during the year and other unplanned work on control systems.

It was the Audit Manager's unqualified opinion that satisfactory assurance could be placed on the Council's risk management, control and governance processes. There was a sound system of internal control but there were some weaknesses which might put some system objectives at risk. Areas of concern centred on key financial systems, where Internal Audit identified significant weaknesses requiring remedial action. Internal Audit also identified a number of opportunities for improving controls and procedures across the Council which officers generally responded to positively.

RESOLVED

that the report be noted.

AG.15 INTERNAL AUDIT MANAGEMENT REPORT QUARTER 1 2008/09

The Committee received and considered report 40/08 of the Audit Manager. This reported on management issues, summarised the progress of Internal Audit against the 2008/09 Audit Plan up to the 16 June 2008, and summarised the priorities and planned audit work for the second quarter of 2008/09.

The Committee congratulated Internal Audit on the merging of the service with South Oxfordshire District Council, thanked the staff and manager for their work and welcomed Graham Ammundsen, a new Internal Auditor.

RESOLVED

that the report be noted.

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

None

The meeting rose at 9.25 pm