

AG.23

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

**HELD AT THE GUILDHALL,
ABINGDON ON WEDNESDAY, 18TH
MARCH, 2009 AT 6.30PM**

Open to the Public, including the Press

PRESENT:

MEMBERS: Councillor Dudley Hoddinott (Chair), Andrew Crawford (Vice-Chair), Matthew Barber, Terry Cox, Bill Melotti, Janet Morgan and Judy Roberts

SUBSTITUTES: Councillor Tony de Vere (in place of Councillor Jerry Patterson)

OFFICERS: Sandy Bayley, Steve Bishop, Steve Culliford, William Jacobs, Harry Oliver, Adrianna Penn and Margaret Reed

OBSERVERS: Maria Grindley and Robert Hathaway (Audit Commission)

NUMBER OF MEMBERS OF THE PUBLIC: Nil

AG.40 **NOTIFICATION OF SUBSTITUTES AND APOLOGIES FOR ABSENCE**

The attendance of substitute Members who had been authorised to attend in accordance with Standing Order 17(1) was recorded as referred to above with apologies for absence having been received from Councillors Mike Murray and Jerry Patterson.

AG.41 **MINUTES**

The minutes of the Committee meeting held on 14 January 2009 were adopted and signed as a correct record.

AG.42 **DECLARATIONS OF INTEREST**

None

AG.43 **URGENT BUSINESS AND CHAIR'S ANNOUNCEMENTS**

The Chair asked everyone to switch off their mobile telephones during the meeting. He also asked Members to complete their questionnaires about this Committee if they had not already done so. This would be used to assess Members' training needs for 2009/10.

AG.44 **STATEMENTS AND PETITIONS FROM THE PUBLIC UNDER STANDING ORDER
32**

None

AG.45 QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 32

None

AG.46 ANNUAL AUDIT INSPECTION LETTER

The Committee received and considered the annual Audit and Inspection Letter for 2007/08. This was provided by Maria Grindley with assistance from Robert Hathaway, both of the Audit Commission. The Audit and Inspection Letter was the last of the old regime before the new Comprehensive Area Assessment commenced.

The key messages from the Audit Commission were that the Council was continuing to improve services in some of its priority areas and had developed a new corporate framework to deliver its vision and priorities into the future through the publication of its new Corporate Plan. However, there were some areas where the Audit Commission believed the Council needed to address weak performance. In the audit year 2007/08 the Council's financial services contract had not delivered the expected top performance. In particular, performance in dealing with housing benefits, council tax and invoices was generally poor and significantly behind the best authorities. The Council's programme of business process improvement had stalled and the planned efficiencies had not materialised. Following the introduction of a new accounting system, additional work was required to allow the Audit Commission to give an unqualified opinion.

It was noted that a written amendment to the Audit and Inspection Letter would be sent to the Council to recognise that the figures in paragraph 25 about crime reduction, should be seen in the context of an overall fall in crime levels in 2007/08. It was accepted that the draft Letter had been printed with the incorrect date on the front page; it should have read 'March 2009'.

The Audit Commission apologised for the timing of this report and its apparent lateness in comparison to the year in question. It was hoped that in future reports would be available sooner. It was recognised that there had been changes in the Council's performance since 2007/08 and the auditors agreed to consider whether this could be referred to in the Audit Commission's final version of the Audit and Inspection Letter. However, the performance of housing benefits was still a concern to the Audit Commission.

The Strategic Director and Chief Finance Officer reported that penalties were written into the contract with Capita and penalties had been served for Capita's poor performance in housing benefits' administration.

In answer to a question from a Member, the Audit Commission explained that the Council had received a score of 2 out of 4 for financial management because it did not have procedure manuals in place for all of its processes. It was noted that these manuals had since been introduced as required.

RESOLVED

that the Annual Audit and Inspection Letter 2007/08 be noted.

AG.47 INTERNAL AUDIT ACTIVITY REPORT 4TH QUARTER 2008/09

The Committee received and considered report 171/08 of the Audit Manager. The report set out details of recent Internal Audit activity, including report on nine individual audits. One of these audits, relating to anti-fraud and corruption arrangements, had received a limited assurance; the remainder had received a satisfactory assurance. The report also included four follow-up reviews, one of which had originally received a limited assurance rating. The Committee asked questions on the reports, concentrating mainly on those with limited assurance or those where the auditor's recommendations had not been fully agreed.

Budgetary control 2008/09 – assurance rating: satisfactory

In answer to a question from a Member, it was reported that the accountants could not guarantee that the auditor's recommendation on ensuring that significant budget variances were reported could be achieved on every occasion. The recommendation had been agreed in principle but sometimes a large variance was the accumulation of several smaller variances. However, variance limits were in place of £5,000 or 5% of each budget item. Members accepted this explanation.

Petty cash procedures 2008/09 - assurance rating: satisfactory

In answer to a question from a Member, it was reported that insurance cover was £500 for each petty cash location. However, the officers agreed to check this and reply to the Member outside of the meeting and send a copy to other Committee Members.

Anti-fraud and corruption arrangements 2008/09 – assurance rating: limited

It was noted that the roles and responsibilities for anti-fraud and corruption arrangements had not been clearly defined and this had led to a limited assurance rating, despite all of the auditor's recommendations being agreed. However, since the senior management restructuring, it had been decided that the responsibility for anti-fraud and corruption arrangements should fall to the new Head of Legal and Democratic Services, Margaret Reed. However, the money laundering prevention element of these arrangements would be the responsibility of the Head of Finance. The Committee was assured that the responsible officers would work with Internal Audit to ensure best practice and consistency with South Oxfordshire District Council.

With regard to the recommendation that the Committee should approve a revised anti-fraud and corruption policy, it was noted that while the Committee could consider the draft policy, approval of policy was a matter for the full Council. It was noted that the policy should be available for consideration in the autumn.

General ledger - assurance rating: satisfactory

In answer to a question from a Member, it was reported that the new system for reconciliation of the general ledger had been implemented in time for the deadline of

March 2009. From April, the bank reconciliations would be signed off by the Head of Finance.

White Horse Leisure and Tennis Centre follow up review
Original assurance rating: limited

Members noted that there was an outstanding action following the original audit. The auditor had recommended that a formal assurance framework should be devised to require the leisure centre operators to produce an annual self assessment providing evidence of compliance with the terms of the contract. This had not been agreed by the service manager and had led to a further meeting with the manager at which it had been agreed that the Deputy Director (Contracts and Procurement) would report on this to the Executive in February 2009 with the intention of introducing the new process from April 2009. Members noted that no report had been presented to the Executive in February due to the senior management restructuring. It was intended to implement the new formal assurance process by 31 October 2009 instead. Members asked that this implementation was monitored.

Members also called for a better procedure to allow the public to make comments or complaints about the centre's facilities and facilities at other centres too. It was considered that the Council should know as soon as possible about users' views so appropriate, early action could be taken to rectify any problems. The Internal Audit Plan for 2009/10 contained a planned audit for the comments and complaints process and as part of this the Audit Manager reported that a check would be made to see if this process was being carried out by contractors. Members supported this.

RESOLVED

that the report be noted.

AG.48 REVIEW OF INTERNAL AUDIT REPORTS 2009/10

The Committee received and considered report 172/08 of the Strategic Director which proposed that only limited and nil assurance Internal Audit reports could be presented in full to the Committee in the activity report at each meeting. All other satisfactory and full assurance Internal Audit reports should be routinely made available to Committee Members, but only presented and discussed at Committee by request prior to the meeting. This would allow the Committee to concentrate on those audits where the risks were higher and needed better management.

Members considered the proposal and welcomed the concept of exception reporting but concluded that it was better for all Internal Audit reports to be made available for consideration at the Committee meeting. In addition, Members asked that these reports should be made available earlier than the date of agenda publication. This would help Members when there were a large number of reports to consider, allowing more time to read them before the meeting. Committee Members were asked to give prior notice of any questions they wished to raise on these reports to the Audit Manager, thereby allowing the relevant officers to be made available for the meeting.

RESOLVED

that all Internal Audit reports continue to be presented to the Committee, but that these reports be made available to Members once finalised rather than waiting for the next agenda despatch.

AG.49 INTERNAL AUDIT MANAGEMENT REPORT - 4TH QUARTER 2008/09

The Committee received and considered report 173/08 of the Audit Manager, which looked at the management issues of Internal Audit, and summarised progress against the Internal Audit Plan for 2008/09 to 9 March 2009. The report went on to summarise the priorities and planned work for the remainder of the audit plan.

The Audit Manager reported that she was pleased with the performance of Internal Audit since the last meeting. The performance figures for the fourth quarter showed a positive trend towards reaching the annual targets and the consistency and quality of the work was improving. A significant effort had been made to reduce the non-chargeable work and there had been a reduction in the number of lost days. Members congratulated Internal Audit staff for this high performance achievement.

In answer to a question from a Member, it was reported that the Treasury Management audit, which had received a satisfactory assurance rating, had taken place earlier in the 2008/09 financial year, before the collapse of the Icelandic bank where the Council had held a £1m investment. It was still unknown whether the Council would be repaid all or some of this investment.

RESOLVED

that the report be noted.

AG.50 INTERNAL AUDIT ANNUAL PLAN 2009/10

The Committee received and considered report 174/08 of the Audit Manager. The report explained the process for setting the Internal Audit Plan and for calculating the resources available. The report also set out the proposed Internal Audit Plan for 2009/10, based on the first six months being fixed in place, and the last six months being an indicative plan. In compiling the draft plan, the Audit Manager had consulted the Chief Executive, Strategic Directors and the Heads of Service, as well as the Audit Commission, to ensure that the plan reviewed the areas of highest risk and importance.

Members noted an amendment to the plan; the comments and complaints audit would be allocated ten days not fifteen.

The Committee welcomed the plan and thanked the officer for her report.

RESOLVED

that the 2009/10 Internal Audit Plan be approved, including the first six months fixed plan and second six months indicative plan.

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

None

The meeting rose at 7.46 pm