

# Minutes

of a meeting of the

## Audit and Governance

### Committee

held at 6.30pm on Wednesday 11 July 2012  
at the Abbey House, Abingdon



**Open to the public, including the press**

#### Present:

Members: Councillors Mike Murray (Chairman), Simon Howell (Vice-Chair), Mike Badcock, Julia Bricknell, Andrew Crawford, Jane Crossley, Dudley Hoddinott, Kate Precious, Judy Roberts and Robert Sharp

Officers: Sandy Bayley, Marcia Beviere, Steve Bishop, David Buckle, Steve Culliford, William Jacobs, Adrianna Partridge, Margaret Reed, Sally Truman and Bob Watson

Audit Commission representative: Anne Ockleston

Number of members of the public: Nil

#### **AG.1 Notification of substitutes and apologies for absence**

Maria Grindley from the Audit Commission had sent her apologies for absence.

#### **AG.2 Declarations of interest**

None

#### **AG.3 Urgent business and chairman's announcements**

None

#### **AG.4 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee**

None

#### **AG.5 Health and safety annual report**

The committee considered the annual health and safety report from the head of corporate strategy. This scrutinised performance against the 2011/12 health and safety action plan and proposed an action plan for 2012/13. The committee noted that there had been no

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significant health and safety incidents during the year and no incidents requiring the Health and Safety Executive's involvement.

In answer to a question regarding the lone worker policy, the officer reported that the council had decided not to request reports from the council's lone worker system as this brought additional cost without benefit. The committee requested that this was explained in future reports.

The committee noted that the fire policy had been published for all council property run by the council for its operational purposes but a fire policy needed to be published for other property, such as investment property. This would be added to the action plan for 2012/13.

The committee asked whether Cabinet retained an overall responsibility for health and safety. In the past, health and safety responsibilities had fallen on the chief executive and the leader of the council. In previous years, all members of the then Executive were given health and safety training. The committee noted that the leader of the council, the chief executive and strategic directors were all members of the Health and Safety Review Board, which monitored health and safety performance and impending legislation or guidance. The officers agreed to check whether other Cabinet members had health and safety responsibilities also. The committee noted that all councillors would be offered a health and safety briefing shortly.

#### **RESOLVED: To**

- (a) note the health and safety report 2011/12 and endorse the action plan for 2012/13;
- (b) add to the action plan for 2012/13 that the fire policy needs to be published for council properties not used by the council to provide services; and
- (c) check whether the Cabinet members have health and safety responsibilities, and if so, receive health and safety training.

#### **AG.6 District and parish council elections - May 2011**

The committee considered the chief executive and returning officer's report on the costs and accounting arrangements of the district and parish council elections held in May 2011. This was the first report of its kind, reporting on the accounting for the local elections.

The committee noted that the cost of running the 2011 local elections had been significantly lower than predicted at budget setting time. This was for a variety of reasons, including:

- The government had decided to hold a national referendum on alternative voting methods. The government used the same date as that for local elections to reduce costs to both the government and local councils. The government paid for the costs of the referendum
- There were fewer town and parish council elections in 2011 than predicted. The number of elections required was unknown until the nominations deadline had passed. Town and parish councils were required to pay for their own elections
- Following problems in the lead up to the elections, the returning officer had negotiated a discount from the elections printer as it had not fulfilled its contract

- The returning officer had not claimed his fee for the district and parish council elections

The committee questioned whether professional project planners should have been used to assist officers. In response, the officers reported that the reasons for the budget variance were difficult to predict but accepted that project planning advice could be sought to assist with financial planning for future local elections.

Councillors asked how much discount the council had received from the elections printer. The returning officer reported that this was confidential information he could not disclose. Instead, the committee asked to see the estimated cost of the 2011 local elections, had the printer fulfilled its contract and had the government not held a referendum. The committee wished to compare the original budget with the expected outcome, had these variables not occurred. This would help the council learn for the next local elections.

#### **RESOLVED To:**

- (a) note the information provided in the report on the costs of and accounting arrangements for the May 2011 district and parish council elections; and
- (b) request the returning officer to provide the committee with an analysis of the estimated cost of the 2011 local elections, had the elections printer fulfilled its contract and had the government not held a referendum.

### **AG.7 Complaints procedure**

The committee considered the chief executive's report that recommended the adoption of a revised complaints procedure. The officers had identified several improvements that could be made to the procedure, including:

- defining what constituted a complaint
- asking complainants what outcome they were seeking
- specifying the period for complainant responses
- asking complainants why they were not satisfied with the outcome at stage 1
- using a strategic director who had no responsibility for the relevant service to conduct a stage 2 complaint
- remove the third stage to the procedure, thereby shortening the timescale to resolution

The committee had a contrary view, believing that councillors' input at a third stage was important. The officers were asked to reconsider the revised complaints procedure to include this and consult the committee's chairman, Councillor Mike Murray, and Councillor Judy Roberts before bringing an amended proposal back to the next committee meeting for consideration.

Councillors suggested that the complaints form (appendix 1 to the report) should include a space for the complainant to sign and date the complaint, and that the complaints procedure and form should be easily accessible on the council's website.

**RESOLVED:** To request the officers to reconsider the revised complaints procedure to include councillors' input in the third stage, and consult Councillors Mike Murray and Judy Roberts on the revised proposal before submitting it to the next committee meeting for consideration.

## **AG.8 Code of conduct complaints procedure**

The committee considered the monitoring officer's report that recommended procedures for dealing with code of conduct complaints.

The Localism Act 2011 had abolished arrangements introduced by the Local Government Act 2000 to promote high standards of conduct amongst councillors. The 2000 Act required councils to adopt a code of conduct, and appoint a standards committee to monitor councillors' conduct. The Localism Act introduced a new code of conduct, which Council adopted on 16 May 2012, and removed the need for a standards committee. Council also appointed the monitoring officer as the proper officer to consider and determine code of conduct complaints about councillors, and appointed the Audit and Governance Committee as the committee responsible for dealing with allegations about potential breaches of the code of conduct that the monitoring officer considered inappropriate for officers to determine. The committee was asked to adopt new procedures to deal with code of conduct complaints to comply with the new legislation, and to appoint panels to consider complaints referred by the monitoring officer.

The committee suggested that paragraph 24 of the procedure could be improved by explaining what would happen after the monitoring officer had applied tests to the complaint. Councillors suggested the officers considered producing a flow chart to show the various stages in the procedure and publish this on the council's website. The monitoring officer agreed to discuss this with her fellow monitoring officers across Oxfordshire to adopt a county-wide approach. The committee also suggested that the procedure should specify what constituted a quorum at a complaints panel meeting.

The committee noted that the issue of confidentiality would be kept under review. The councillor who had been complained about, should be able to find out who had lodged the complaint but the monitoring officer would consider each case on its merits to determine whether confidentiality must be kept.

### **RESOLVED: To**

- (a) appoint sub-committees (to be known as complaints panels) comprising three members of the committee or their appointed substitutes and authorise the complaints panels to determine code of conduct complaints referred by the monitoring officer;
- (b) appoint each member or substitute of the Audit and Governance Committee to serve on any complaints panel which is convened so as to include her or him in its membership;
- (c) agree that wherever possible, a panel shall comprise the chairman or vice-chairman of the committee plus two other members of the committee, but that this should not affect the principle that any three members of the committee or their appointed substitutes will constitute a properly appointed panel;
- (d) authorise the head of legal and democratic services to convene panels having regard to councillors' availability and eligibility to take part;
- (e) adopt the procedures for dealing with code of conduct complaints set out in appendix 1 to the monitoring officer's report with effect from 12 July 2012 and in

place of the council's existing arrangements for dealing with code of conduct complaints, subject to agreeing the following amendments with Councillor Andrew Crawford:

- to include an explanation in paragraph 24 of the procedure about what will happen after the monitoring officer has applied tests to the complaint
  - to specify what constitutes a quorum at a complaints panel meeting
- (f) authorise the monitoring officer to make minor amendments to the procedures including minor or consequential amendments required for clarification, consistency and compliance with the council's style guide; and
- (g) note the document entitled *Code of conduct complaints: fact sheet* that will provide information for members of the public when making code of conduct complaints.

## **AG.9 Treasury management strategy update**

The committee considered the head of finance's report on changes to the treasury management strategy. Under delegated authority, the chief finance officer had amended the strategy to vary the counterparty list. This was due to the current financial climate and recent downgrading of banks by the main ratings agencies. There was an increasing difficulty in finding suitable counterparties for the council's funds - particularly the medium to longer-term investments. This had necessitated a review of the counterparty criteria. The first amendment was to increase the limit on government-backed institutions, namely Lloyds Group and RBS, from £5 million to £10 million. The second amendment was to re-insert the "Banks 3" paragraph in the 'eligible institutions' part of appendix A to the strategy.

When the treasury management strategy for 2012/13 was approved by Council in February 2012, the Eligible Institutions criteria (Banks 3) was omitted due to following an industry standard template upon which the council based its strategy. The recent review of the credit ratings, meant that the council's counterparty list was reducing and to not re-insert "Banks 3" would not allow the council to use staple partners such as Santander UK and Close Brothers Bank. The following amendment was proposed and agreed by the Chief Financial Officer:

Appendix A paragraph 19:

- insert new sub-paragraph after 'Banks 2' as follows:  
"Banks 3 – Eligible Institutions - the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed."
- rename current "Banks 3" to "Banks 4"

**RESOLVED:** To note the changes to the treasury management strategy.

## **AG.10 Statement of accounts 2011/12**

The committee received the draft statement of accounts 2011/12. Councillors noted that under the financial reporting rules, the chief finance officer had the responsibility to approve the draft statement of accounts for submission to the external auditor by 30 June 2012. This he had done. The accounts were brought to the committee for councillors to

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consider the process for the production of the accounts. At its meeting in September, the committee would be required to approve the final accounts having obtained assurance that they had been prepared properly in accordance with the accounting regulations.

The committee welcomed the opportunity to consider the draft accounts and thanked the officers for providing training on the committee's role. Councillors suggested the following amendments:

- On page 10 under the heading 'fixed assets', add a reference to the relevant note to the accounts
- On page 17 on the balance sheet, add a reference to the relevant note for short term investments
- On page 80, update the glossary to include definitions for CIES, MIRS, and CFS

**RESOLVED:** To

- (a) request the officers to organise a question and answer session on the statement of accounts in early September; and
- (b) remind the relevant councillors that they need to complete and return their related party transactions form to the council.

## **AG.11 Internal audit annual report 2011/12**

The committee considered the audit manager's annual report on the internal audit function in 2011/12. The report reviewed progress against the audit plan, and advised the committee of the audit manager's opinion of the overall adequacy and effectiveness of the council's internal control environment.

It was the audit manager's unqualified opinion that satisfactory assurance could be placed on the council's risk management, control, and governance processes in place throughout the year. Seven internal audit reviews had resulted in full assurance and there had been notable improvements in council tax, housing and council tax benefits, and travel and subsistence. Areas of weaknesses identified by internal audit had resulted in action plans setting out improvements in the establishment list, the HR Pro system, payroll, and waste management. However, where internal audit had identified opportunities to improve internal controls, officers had responded positively. Where internal audit had greatest concerns, these areas were identified as systemic control weaknesses and were given top priority.

The committee debated whether the audit manager should have direct reporting access to the strategic management board, as recommended by the Chartered Institute of Public Finance and Accountancy. Councillors noted that if the council followed this guidance, the audit manager would be the only fourth tier manager to have such direct access to the board. The audit manager allayed the committee's concerns, reporting that she had sufficient access under the existing arrangements to report direct to the chief executive or directly to the committee if required. The committee was content with this.

**RESOLVED:** To note the report.

## **AG.12 Internal audit management report - quarter 1, 2012/13**

The committee considered the audit manager's report on internal audit management in the first quarter of 2012/13, being 1 April to 30 June 2012. This looked at management issues within internal audit and progress against the 2012/13 audit plan. The committee noted that internal audit was on target against the audit plan and had visited the payroll service team at Capita's office in Carlisle to undertake an audit. A report on this would be forthcoming.

**RESOLVED:** To note the report.

## **AG.13 Internal audit activity report - quarter 1, 2012/13**

The committee considered the audit manager's report on internal audit's activity during the first quarter 2012/13, being 1 April to 30 June 2012. Of the audits referred to in the report, two had received full assurance, six had received satisfactory assurance, and two had received a limited assurance rating. The report also referred to five follow-up audits, of which in the initial audit review one had received full assurance, two had received satisfactory assurance, and two had received a limited assurance rating. The audit manager reported that due to the length of the agenda for this meeting, the chairman had agreed to only bring one limited assurance report to this meeting, whereas the other limited assurance report on the HR Pro (the human resources IT system) 2011/12, would be brought to the next committee meeting.

The committee considered the report on the pro-active anti-fraud audit. Capita had introduced a new control, following a recommendation by internal audit, that when payroll received requests with an electronic signature to change bank payments to a new bank account, Capita would contact the council's human resources officer or the named officer to obtain confirmation of the request by email.

The committee noted that as part of the pro-active anti-fraud audit, a test had revealed that car park wardens had not correctly checked a parking permit. Councillors suggested that the text on parking permits could be made easier to read.

**RESOLVED:** To note the report.

## **AG.14 Comments on internal audit reports not presented to committee**

The committee considered the audit manager's report that set out councillors' comments on internal audit reports not presented to the committee in the activity report (minute AG.13 refers). The report also included responses from internal audit and the relevant service manager.

The committee noted that training was available to councillors on an introduction to treasury management. The chairman asked that the date was circulated to committee members.

With regard to the follow-up audit on grounds maintenance, the committee noted that some recommendations had not been implemented. Internal audit commented that a

second follow-up audit would be undertaken in the year and would report to committee if there were any concerns.

**RESOLVED:** To

- (a) note the report; and
- (b) circulate the date for councillor training on an introduction to treasury management.

### **AG.15 Draft annual governance statement 2011/12**

The committee considered the draft annual governance statement 2011/12. The committee noted that this statement accompanied the statement of accounts and was open to the council's external auditors to comment on. The committee was asked to consider the draft statement and suggest any improvements before the committee would be asked to adopt it at its meeting in September. The committee suggested one amendment.

**RESOLVED:** To amend the draft annual governance statement in paragraph 102 to add a reference to the audit manager's ability to report directly to the chief executive or the committee if necessary.

### **AG.16 Audit Commission: verbal update on transition to Ernst & Young**

The committee received a verbal update from Anne Ockleston of the Audit Commission on the transition of the council's external audit function to Ernst & Young. Ernst & Young had been appointed as the external auditor for local government across south-east England. It wanted to transfer staff from the Audit Commission to cause minimum disruption to the audit process for councils. The transfer was due to take place on 1 November 2012. Maria Grindley and Anne Ockleston were due to transfer to Ernst & Young from that date and were due to continue as the council's external auditors, although this had yet to be confirmed. The committee would receive a further update in September.

### **AG.17 Continuation of meeting**

The committee was asked whether it wished to finish the meeting at this point or continue for a further 30 minutes to the three-hour limit to comply with standing order 27.

**RESOLVED:** To continue the meeting to complete the remaining business by 9.30pm.

### **AG.18 Letter to the Audit Commission - understanding how the committee gains assurance from management**

The committee noted the contents of a letter from its chairman to the Audit Commission. This set out how the council's Audit and Governance Committee gained assurance from management on internal control mechanisms, tackling fraud, complying with the law, and ensuring that the council could continue as a going concern.

**RESOLVED:** To note the contents of the chairman's letter to the Audit Commission.



## AG.19 Minutes

**RESOLVED:** To adopt as a correct record the minutes of the committee meeting held on 21 March 2012 and agree that the chairman signs them as a correct record.

## AG.20 Actions arising

The committee considered the strategic director's report on actions arising from previous committee meetings and updated the schedule as set out below.

**RESOLVED:** To update the actions arising as follows:

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| <b>(a) Annual Governance Statement<br/>AG.32 &amp; AG.35</b>   | <b>Committee Date – 28 September 2011</b>   |
| On 28 September 2011, the committee suggested introducing an investment strategy, particularly in relation to property.  |   |
| <b>Comment</b><br>The updated annual governance statement in September 2011 included this recommendation. This suggestion had been referred to the asset management group for consideration. This would be considered at the next meeting of the Asset Management Group on 4 May 2012. | <b>Action</b><br>Retain on actions arising list for review.   |
| <b>(b) ICT report</b>  | <b>Committee Date – 18 January and 21 March 2012</b>  |
| The committee sought assurances in the internal audit follow-up reports that staff leavers' names and logins had been quickly removed from the council's IT systems to prevent unauthorised access.  |   |
| <b>Comment</b><br>The committee considered that this item should remain on the matters arising list until the additional ICT follow up had been completed and reported to the next committee meeting.  | <b>Action</b><br>Retain on actions arising list. Follow-up report to be considered by the committee in September 2012.                            |
| <b>(c) Waste management and recycling report</b>   | <b>Committee Date – 18 January 2012</b>   |
| The committee asked for an update on whether the waste contractor, Biffa, was complying with the council's instruction not to collect garden waste from the addresses of persistent non-payers.  |   |
| <b>Comment</b><br>The committee was keen to ensure that this item was kept under review to consider the possibility of a licensing scheme, eg annual stickers or coloured tags on the bins to monitor who had, and had not, paid for their collections.                                | <b>Action</b><br>To ask Biffa for an update on the progress of their operative training.<br><br>Retain on actions arising list.                   |
| <b>(d) Audit Commission progress report</b>  | <b>Committee Date – 18 January 2012</b>   |
| The strategic director undertook to investigate whether any further action was necessary on the other key considerations suggested by the Audit Commission.  |   |
| <b>Comment</b> <ul style="list-style-type: none"> <li>• The council had not used the Audit Commission's value for money profiles but we are now looking at them.</li> <li>• The council had used the Audit</li> </ul>  | <b>Action</b><br>Retain third bullet point on actions arising list, but remove the first, second, and fourth bullets as these had been completed. |

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| <p>Commission's single person discount comparator tool which demonstrates we have low single person discount numbers compared to other councils.</p> <ul style="list-style-type: none"> <li>The council had not formally completed the fraud prevention checklist, but the Audit Manager has a service plan target of reviewing the fraud and money laundering control environment and will incorporate the checklist into her review.</li> <li>The Department for Communities and Local Government plain English guide to localism had been circulated to councillors.</li> </ul> |  |
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| <b>(e) Treasury management strategy annual review</b>  | <b>Committee Date – 18 January 2012</b>            |
| The committee noted the officers' intention to introduce treasury management training for officers in the accountancy team shared with South Oxfordshire District Council. It was hoped that an update could be given at the next meeting. |  |
| <b>Comment</b><br>The committee noted that a training analysis had been carried out and a training programme was being implemented.  | <b>Action</b><br>Remove from actions arising list. |

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| <b>(f) Treasury management strategy annual review</b>  | <b>Committee Date – 18 January 2012</b>          |
| The committee requested the council's asset management group to consider whether the ratio of physical property and financial investments was still fit for purpose. |  |
| <b>Comment</b><br>The committee noted that this suggestion had been referred to the council's asset management group.  | <b>Action</b><br>Retain on actions arising list. |

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| <b>(g) Business continuity and risk management update AG.52</b>   | <b>Committee Date – 18 January 2012</b>   |
| The committee asked the officers to report back on the timescale for testing the business continuity arrangements and to confirm that business continuity arrangements are in place for the council's largest and most important contracts and that the officers are satisfied with the arrangements.   |   |
| <b>Comment</b><br>The committee noted that in collaboration with Oxfordshire County Council, this council would be carrying out a simulated walk-through test of its business continuity plans alongside an emergency plan exercise on 24 April 2012. The results of the test would be reported to the committee.<br><br>The officers had reviewed the business continuity plans of each of the council's six major contractors and confirmed that they were fit for purpose. | <b>Action</b><br>Retain on actions arising list. Results to be considered by the committee in September 2012. |

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| <b>(h) Complaints panel</b>   | <b>Committee Date – 21 March 2012</b> |
| The committee requested that a complaints panel was set up to consider a complaint by a |                                       |

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| Radley resident and advise the chief executive and group leaders on any further action considered appropriate.  |  |
| <b>Comment</b><br>The panel has been established and a meeting with the reporting officers and the complainant is awaited.  | <b>Action</b><br>Retain on actions arising list.   |
| <b>(i) Internal audit activity report on ICT</b>  | <b>Committee Date – 21 March 2012</b>              |
| The committee requested that the internal audit report on ICT be presented to the next committee meeting  |  |
| <b>Comment</b><br>The ICT follow-up report will be presented to the September committee meeting.  | <b>Action</b><br>Retain on actions arising list.   |
| <b>(j) Internal audit activity report – systemic control weaknesses</b>   | <b>Committee Date – 21 March 2012</b>              |
| The committee requested that the summary of systemic control weaknesses shall be included in every internal audit activity report but the supporting tables shall only be included in the annual report.  |  |
| <b>Comment</b><br>As requested; within 11 July agenda   | <b>Action</b><br>Remove from actions arising list. |
| <b>(k) Comments on internal audit reports not presented to committee – National non-domestic rates</b>  | <b>Committee Date – 21 March 2012</b>              |
| The committee requested that when further details of the government's changes to the national non-domestic rates system became available, Cabinet, Council and this committee should be informed.   |  |
| <b>Comment</b><br>Head of finance to update when in due course  | <b>Action</b><br>Retain on actions arising list.   |
| <b>(l) Internal audit plan – assessing other areas</b>  | <b>Committee Date – 21 March 2012</b>              |
| The audit manager agreed to assess areas that had not been included in the schedule of auditable activity to ensure that external reviews of those areas were comprehensive.  |  |
| <b>Comment</b><br>Two areas identified: food and safety team and legal services. The Audit Manager has analysed the external reviews undertaken and considers that internal audit should carry out further work in the food and safety area. This has been added to schedule of audit activity. | <b>Action</b><br>Remove from actions arising list. |

## **AG.21 Audit and governance work programme**

The committee reviewed its work programme and training programme for the remainder of 2012/13.

**RESOLVED:** To amend the work programme and training programme as follows:

- add informal meeting in early September 2012 to ask detailed questions on the statement of accounts
- add business continuity testing for consideration at September 2012 committee meeting
- add introduction to treasury management training to training programme in November 2012

**Exempt information under section 100A(4) of the Local Government Act 1972**

None

The meeting closed at 9.28 pm