

# Minutes

of a meeting of the

## Audit and Governance

### Committee

held at 6.30pm on Wednesday 26 September 2012  
at the Abbey House, Abingdon



#### Open to the public, including the press

##### Present:

Members: Councillors Mike Murray (Chairman), Simon Howell (Vice-Chairman), Mike Badcock, Andrew Crawford, Dudley Hoddinott, Judy Roberts and Robert Sharp

Non-participating member: Councillor Yvonne Constance

Officers: Richard Beel, Steve Bishop, David Buckle, Steve Culliford, Andrew Down, Simon Hewings, William Jacobs, Clare Kingston, Nilesh Parmar, Adrianna Partridge and Nikki Thomas

Number of members of the public: Nil

#### **AG.22 Notification of substitutes and apologies for absence**

Councillors Julia Bricknell and Jane Crossley had sent their apologies for absence.

#### **AG.23 Declarations of interest**

None

#### **AG.24 Urgent business and chairman's announcements**

None

#### **AG.25 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee**

None

#### **AG.26 Business continuity testing exercise update**

The committee considered the report from the head of HR, IT, and customer services. This summarised the findings of a business continuity exercise held in conjunction with Oxfordshire County Council's emergency planning unit on 2 May 2012.

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**AG.13**

The emergency planning unit had made three recommendations to improve the council's business continuity arrangements:

- to amend the out of hours instructions to include reference to emergencies and contact officers
- to ensure common terminology was used in both the emergency and crisis management plans
- to include a diagram in the plans showing the escalation procedures and communication cascades

The committee noted that the officers had implemented these recommendations. However, the officers considered that a bigger exercise was needed to further test the council's support systems.

The committee was assured that the officers were taking appropriate steps to enhance the council's existing business continuity arrangements. However, the committee suggested that the date of this further test should not be widely known amongst staff. The officers agreed to consult the committee's chairman on the plans for further business continuity testing.

**RESOLVED:** To

- (a) note the findings of the business continuity exercise held on 2 May 2012 and note the work the council is undertaking to enhance its arrangements; and
- (b) consult the committee's chairman on the plans for future business continuity testing.

## **AG.27 Review of complaints received during 2011/12**

The committee considered the chief executive's report, which reviewed complaints received during 2011/12. By analysing the complaints, the committee could identify any trends and suggest any service improvements.

The report contained a summary of the number of complaints received and analysed them by service area. The detail behind these was not included. The chairman asked the officers to consider a more detailed breakdown of complaints in future reports.

Councillors noted the number of complaints had halved compared to the previous year when the council introduced the new waste service. In 2011/12, the majority of complaints related to council tax collection and benefits. During the year, the ombudsman had considered seven complaints but had not found any maladministration by the council.

There were several complaints relating to the planning service. The chairman asked for a further breakdown of these; the officers agreed to circulate this information to committee members.

The chairman queried whether internal audit had found any evidence that complaints were not being recorded. The audit manager reported that during the last complaints review in 2009/10, she had found no evidence that complaints were not being recorded and dealt with appropriately. However, the chairman asked the audit manager to check if complaints were generally being recorded as such as part of her general audit work. The audit

manager agreed to discuss this with the section 151 officer and identify what interim checks could be made.

The chairman reported that he and Councillor Judy Roberts were liaising with the chief executive over a revision to the complaints' procedure. This would be presented to the committee at a later date.

**RESOLVED: To**

- (a) note the report;
- (b) ask officers to provide a further breakdown of the complaints about the planning service in 2011/12; and
- (c) request the audit manager to investigate what interim checks can be made to assess whether complaints are being recorded appropriately.

**AG.28 Internal audit activity report - quarter 2, 2012/13**

The committee considered the audit manager's report on internal audit activity during the second quarter of 2012/13, covering July to September 2012. Of the audits referred to in the report, one had received a full assurance rating from internal audit, three had received satisfactory assurance, and one had received limited assurance. The report also referred to nine follow-up audits, of which internal audit had given six satisfactory assurance in the planned audit reviews, whereas three had received limited assurance.

The committee considered the report on the HR Pro audit, which had received limited assurance, and a follow-up audit. The committee noted that where there were changes to staff conditions of employment, authorisation for these were not recorded in an archive separate from the council's email system. The head of service believed this would be unnecessary duplication. The retention policy required the officers to keep such records for seven years. The committee asked the officers to revisit the policy to see whether it needed amending. The committee also asked the audit manager to check whether these records were easily accessible when conducting the next review. The committee also asked officers to check annual leave entitlement calculations to ensure these were now being carried out correctly.

The committee discussed the waste management and recycling follow-up audit report, which had received limited assurance. With regard to outstanding actions, the committee noted that officers had introduced a system to record variable work, and had introduced regular stock counts of spare waste bins. However, the committee noted that further work was necessary to reconcile the weighbridge data provided by the council's contractor, Biffa, and the county council. The committee recognised that it was important to reconcile the weighbridge data as the council received recycling credit income for the recycled waste collected. The committee asked internal audit to follow up this outstanding action.

The committee raised a query relating to waste collection: when new homes were built, did the council have a system to record information about new occupiers and pass this on to the waste service and other services? The officers agreed to review the process currently adopted.

The brown bins audit resulted in several recommended improvements, all of which the service manager accepted and agreed to implement within the agreed timescales. With regard to the reconciliation of council's customer data against the contractor's data, the council was checking that the records were accurate and reconciled. The chairman asked the officers to provide a completion date.

Turning to the audit of the Building Control service, the service manager assured the committee that he would meet the implementation deadlines for all recommendations set out in the report.

The committee also noted the audit manager's review of systemic control weaknesses. The review showed that the council was improving its practices to reconcile data regularly, but there was a need to concentrate more on training officers and councillors in their roles and corporate responsibilities.

**RESOLVED:** To

- (a) note the report;
- (b) ask the officers to review the retention of documents policy to establish whether the timescales are still relevant;
- (c) ask the audit manager to check whether emails relating to changes to staff conditions of employment are accessible;
- (d) ask the audit manager to check annual leave entitlement calculations to ensure they are correct;
- (e) follow up the need to reconcile weighbridge data for the amount of recycled waste collected;
- (f) review the process to record data once and pass it on to services when new homes are built and occupied; and
- (g) provide the committee with a completion date for the reconciliation of brown bin customer data against the contractor's data.

**AG.29      Audit Commission's annual governance report 2011/12**

The committee considered the annual governance report provided by Maria Grindley of the Audit Commission, the council's external auditor. This summarised the Audit Commission's findings from the 2011/12 audit.

Looking at the council's financial statements, the Audit Commission expected to issue an unqualified opinion, subject to completion of outstanding work. However, there were a number of issues the Audit Commission drew to the committee's attention. The level of errors in the draft accounts was higher than expected. These were detailed in the report. In answer to a question from a committee member, the head of finance reported that he would investigate the reasons why this had occurred and would rectify the problem before the accounts were prepared for 2012/13. The committee noted that these errors had been corrected in the final accounts. Maria Grindley confirmed that in her view, the final

accounts were materially correct, gave a true and fair view of the council's financial position, and had been prepared properly in accordance with accounting practice.

In its value for money audit, the Audit Commission concluded that the council had made proper arrangements to secure economy, efficiency, and effectiveness in the use of its resources. Maria Grindley reported that she expected to issue her certificate to the council when she formally issued her opinion on 27 September.

Anne Ockleston of the Audit Commission reported that the council's fee for claims and returns in 2011/12 had reduced from £33,200 to £30,000 as no issues had arisen during the audit.

Maria Grindley reported that the Audit Commission was being dissolved. As from 1 November 2012, the council's external auditor would become Ernst & Young. However, auditing standards would remain the same.

Appended to the Audit Commission's annual governance report was a draft letter of management representation, which the council had to sign and submit to the Audit Commission with the council's statement of accounts. An amended copy of the letter was tabled at the meeting. The committee gave its approval for it to be signed by the council's chief finance officer. However, as three committee members were absent, the chairman asked that they were sent a copy of the letter with a request that they replied to the chief finance officer urgently if they had any concerns.

**RESOLVED: To**

- (a) note the Audit Commission's annual governance report 2011/12;
- (b) note that the Audit Commission is likely to give an unqualified opinion to the statement of accounts 2011/12;
- (c) approve the letter of representation for signature by the chief finance officer on behalf of the council, before the Audit Commission issues its final opinion and conclusion;
- (d) send a copy of the letter of management representation to the three committee members absent from the meeting with a request that they reply to the chief finance officer urgently if they have any concerns with the letter;
- (e) request a follow-up report from the head of finance on the reasons why the draft 2011/12 accounts contained errors; and
- (f) note that the council's external auditor will be Ernst & Young from 1 November 2012.

**AG.30 Statement of accounts 2011/12**

The committee considered the final statement of accounts for 2011/12 for approval and submission to the Audit Commission. Tabled at the meeting was a list of the late adjustments to the statement of accounts. The committee noted these.

Also tabled at the meeting were notes from a question and answer session attended by committee members on 19 September. These are appended to the committee's minutes. At this session, councillors asked detailed questions about the accounts. The chairman requested that the outstanding actions in the notes should be listed in the committee's actions arising report.

The committee thanked Simon Hewings, the Shared Accountancy Manager (Revenue), for his work in finalising the accounts.

**RESOLVED:** To

- (a) approve the statement of accounts 2011/12; and
- (b) include the outstanding actions from the question and answer session notes in the committee's actions arising report.

**AG.31 Annual governance statement 2011/12**

The committee considered the final annual governance statement 2011/12. The committee had suggested an addition when it considered the draft in July; this had been included in the final version. The Audit Commission reported that it was content with the council's annual governance statement.

**RESOLVED:** To approve the annual governance statement 2011/12.

**AG.32 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.33 Treasury management outturn 2011/12**

The committee considered the head of finance's report on the council's treasury management performance (the management of investments) in 2011/12. The committee was asked to scrutinise performance to ensure the treasury management activities had been carried in accordance with the treasury management strategy and to make any recommendations for changes to Cabinet.

The committee noted that the officers had taken a decision under delegated authority to withdraw funds invested through the council's investment fund manager, Investec. The officers were able to invest funds in government-backed UK banks and achieve a better return that was above the budget estimate. The increased return on investments would feed into the budget preparation for 2013/14. In answer to a question from a councillor, the committee noted that the council had some funds invested with quick access to allow sufficient liquidity.

**RESOLVED:** To note the report and thank the officers for their treasury management performance in 2011/12.

## **AG.34 Internal audit management report - quarter 2, 2012/13**

The committee considered the audit manager's report on internal audit management in the second quarter of 2012/13, being July to September 2012. This looked at management issues within internal audit and progress against the 2012/13 audit plan. The committee noted that internal audit was slightly behind target against the audit plan but the audit manager was confident in the team's ability to improve performance during the autumn.

**RESOLVED:** To note the report.

## **AG.35 Comments on internal audit reports reviewed by committee quarter 2, 2012/13**

The committee considered the audit manager's report that set out comments from committee members on internal audit reports from the second quarter 2012/13 not presented to the committee.

In answer to a question from a councillor, the audit manager considered that certain post holders could be required to undertake a Criminal Records Bureau check. The committee asked for legal advice on this.

**RESOLVED:** to seek legal advice on whether certain post holders can be required to undertake a Criminal Records Bureau check.

## **AG.36 Minutes**

**RESOLVED:** To adopt as a correct record the minutes of the committee meeting held on 11 July 2012 and agree that the chairman signs them as a correct record.

## **AG.37 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:

<b>(a) Annual Governance Statement 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> The updated annual governance statement in September 2011 included this recommendation. This suggestion has been referred to the asset management group for consideration.	<b>Action</b> Retain on actions arising list.
<b>(b) ICT report</b>	<b>Committee Date – 18 January 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> Completed	<b>Action</b> Remove from actions arising list.
<b>(c) Waste Mgt and Recycling report</b>	<b>Committee Date – 18 January 2012</b>
The committee asked for an update of whether Biffa was complying with the council's instruction not to collect garden waste from the addresses of persistent non-payers.	
<b>Comment</b> Completed	<b>Action</b> Remove from 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> Completed	<b>Action</b> Remove from actions arising list.
<b>(e) 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> This has been referred to the council's asset management group.	<b>Action</b> Retain on matters arising list.
<b>(f) Business continuity and risk management update AG.52</b>	<b>Committee Date – 18 January 2012</b>
The committee asked the officers to report 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> Completed	<b>Action</b> Remove from actions arising list.
<b>(g) 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 Radley resident and advise the chief executive and group leaders on any further action considered appropriate.	
<b>Comment</b> Completed.	<b>Action</b> Remove from actions arising list.
<b>(h) 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> The committee has now considered this.	<b>Action</b> Remove from actions arising list.
<b>(i) 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> Head of finance to update in due course.	<b>Action</b> Retain on matters arising list.
<b>(j) Health and safety annual report</b>	<b>Committee Date – 11 July 2012</b>
The committee requested the officers 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.	
<b>Comment</b> Included in the action plan.	<b>Action</b> Remove from actions arising list.
<b>(k) Health and safety annual report</b>	<b>Committee Date – 11 July 2012</b>
The committee requested the officers to investigate whether the Cabinet had a responsibility for health and safety and therefore should receive training.	
<b>Comment</b> No requirement for Cabinet to be trained.	<b>Action</b> Remove from actions arising list.
<b>(l) District and parish council elections – May 2011</b>	<b>Committee Date – 11 July 2012</b>
The committee requested 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.	
<b>Comment</b> David Buckle to advise committee members.	<b>Action</b> Retain on actions arising list.
<b>(m) Complaints procedure</b>	<b>Committee Date – 11 July 2012</b>
The committee requested 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.	
<b>Comment</b> David Buckle to liaise with Councillors Murray and Roberts.	<b>Action</b> Retain on actions arising list.
<b>(n) Statement of accounts</b>	<b>Committee Date – 11 July 2012</b>
The committee requested the officers to organise a question and answer session on the statement of accounts in early September and to remind the relevant councillors that they need to complete and return their related party transactions form to the council.	
<b>Comment</b> Completed	<b>Action</b> Remove from actions arising list.
<b>(o) Treasury management</b>	<b>Committee Date – 11 July 2012</b>
The committee requested the officers to circulate the date for councillor training on an introduction to treasury management.	
<b>Comment</b> No date set for this training. Only limited places available.	<b>Action</b> Retain on actions arising list.
<b>(p) Annual governance statement 2011/12</b>	<b>Committee Date – 11 July 2012</b>
The committee requested the officers 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.	

<b>Comment</b> Completed	<b>Action</b> Remove from actions arising list.
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### **AG.38      Audit and governance work programme**

The committee updated its work programme and training programme for the remainder of 2012/13. The chairman asked the officers to produce an attendance register for councillors that attended the committee's training sessions.

**RESOLVED:** To

- (a) update the committee's work programme and training programme;
- (b) request the officers to produce a register of councillors' attendance at the committee's training sessions; and
- (c) consult committee members on their ability to attend training on an introduction to treasury management.

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

None

The meeting closed at 9.35 pm