

# **Minutes**

of a meeting of the

## **Audit and Governance Committee**



held on Wednesday 30 January 2013 at 6.30pm  
in the Council Chamber, The Abbey House, Abingdon

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

#### **Present:**

Members: Councillors Simon Howell (Vice-Chairman), Mike Badcock, Julia Bricknell, Andrew Crawford, Dudley Hoddinott, Mohinder Kainth, Sandy Lovatt, Kate Precious, Judy Roberts and Robert Sharp

Non-participating members: Councillors Matthew Barber, and Richard Webber

External auditor: Anthony Faukes, and Anne Ockleston (Ernst & Young)

Officers: Sandy Bayley, Steve Bishop, Jayne Bolton, Steve Culliford, William Jacobs, Sheeraz Khan, Clare Kingston, Adrianna Partridge, Margaret Reed and Bob Watson

By invitation: Nicola Mundy (Capita)

Number of members of the public: Nil

### **AG.39 Election of a chairman and vice-chairman**

#### **RESOLVED:** To

- (a) elect Councillor Simon Howell as chairman of the committee for the remainder of the municipal year; and
- (b) elect Councillor Mohinder Kainth as vice-chairman of the committee for the remainder of the municipal year.

### **AG.40 Notification of substitutes and apologies for absence**

None

### **AG.41 Declarations of interest**

None

## **AG.42 Urgent business and chairman's announcements**

None

## **AG.43 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee**

None

## **AG.44 Dispensations and the councillors' code of conduct**

The committee considered the monitoring officer's report that proposed arrangements to deal with requests for dispensations from district councillors to allow them to take part in council and committee meetings where they had a disclosable pecuniary interest.

The committee recalled that it had been authorised by Council to grant dispensations under section 33 of the Localism Act 2011. The committee noted that it could grant a dispensation in any of the following circumstances:

- where so many members of the decision making body had disclosable pecuniary interests in a matter that it would "impede the transaction of the business"
- without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the likely outcome of any vote on the matter
- where the authority considered the dispensation was in the interests of persons living in the authority's area
- without the dispensation, no member of the Cabinet would be able to participate in this matter
- where the authority considered that it was otherwise appropriate to grant a dispensation

As the Act gave discretion to allow a sub-committee or panel to grant a dispensation, the committee established a dispensations panel to determine such requests. The panel would comprise three members of the committee or their substitutes, one of which would, wherever possible, be the committee chairman or vice-chairman. The committee noted that the panel could be convened urgently if necessary to deal with any requests but would be subject to the usual access to information rules as they would be properly constituted local government meetings with agendas and minutes.

The committee supported the proposals.

### **RESOLVED: To**

- (a) appoint sub-committees (to be known as Dispensation Panels) comprising three members of the committee, or their appointed substitutes, and authorise the Dispensation Panel to determine dispensations referred by the monitoring officer;
- (b) appoint each member or substitute of the Audit and Governance Committee to serve on any dispensation panel which is convened so as to include her or him in its membership;

- (c) agree that wherever possible, a panel should 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 monitoring officer to convene panels having regard to councillors' availability and eligibility to take part;
- (e) adopt the procedures for dealing with dispensations set out in appendix 1 to the monitoring officer's report with effect from the date of this committee; and
- (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.

### **AG.45 Internal audit activity report - quarter 3 2012/13**

The committee considered the audit manager's report on internal audit activity during the third quarter of 2012/13, covering October to December 2012. Of the audits referred to in the report, two had received a full assurance rating from internal audit, five had received satisfactory assurance, and two had received limited assurance. The report also referred to five follow-up audits, of which internal audit had given full assurance to one and satisfactory assurance to four.

The committee considered the report on the discretionary grants 2012/13 audit, which had received limited assurance. The committee noted that the rationale behind delegating the approval of capital community grants to four area committees was to give local councillors the opportunity to have some element of choice in awarding grants to local projects. The committee accepted this.

The committee discussed the report on the payroll 2012/13 audit, which had received limited assurance. In answer to a question from a councillor, the committee noted that in the case of an IT failure, there were back up plans to carry out the payroll run. The committee also noted that the council's officers met regularly with the payroll contractor, Capita, to discuss issues and performance. The head of finance reported that he was happy with the payroll control environment. The committee noted that internal audit would carry out a follow-up audit on the payroll service.

The committee also noted appendix 2 to the report, which set out weaknesses that internal audit had identified as systemic within the council. The audit manager kept these under review.

**RESOLVED:** To note the report.

### **AG.46 Internal audit management report - quarter 3 2012/13**

The committee considered the audit manager's report on internal audit management in the third quarter of 2012/13, being October to December 2012. This looked at management issues within internal audit and progress against the 2012/13 audit plan.

The committee noted that there were no significant issues to report and that just one non-key audit was likely to be in progress at the financial year-end (March 2013). Otherwise, the audit plan was on schedule for completion.

In answer to a question from a councillor, the committee noted that the head of finance would be reviewing the staff resources necessary to carry out corporate fraud and benefit fraud work and would come forward with proposals.

**RESOLVED:** To note the report.

#### **AG.47 Treasury management mid year report 2012/13**

The committee considered the head of finance's report that detailed the council's treasury activities for the first six months of 2012/13 and looking to the rest of the financial year, provided an update on current economic conditions.

The committee noted that the council's treasury management activities had operated within the agreed parameters set out in the 2012/13 treasury management strategy. The officers expected the council to receive approximately £120,000 more investment income by the financial year-end than predicted; the committee welcomed this.

**RESOLVED:** To

- (a) Note the treasury management mid-year monitoring report 2012/13; and
- (b) Advise Cabinet that the committee is satisfied that the council's treasury activities are being carried out in accordance with the treasury management strategy and policy.

#### **AG.48 Treasury management and investment strategy 2013/14**

The committee considered the head of finance's report that presented the draft treasury management strategy for 2013/14 to 2015/16. The report set out the expected treasury operations for the period, comprising four elements required by legislation:

- The prudential indicators required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities
- The treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management. This set out how the council's treasury service would support capital investment decisions, and how the treasury management would operate day to day. It set out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate
- The annual investment strategy, which set out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments. This strategy was in accordance with the Department for Communities and Local Government's investment guidance and formed part of the treasury management strategy
- A statutory duty to approve a minimum revenue provision policy for 2013/14

The officers recommended changes to the treasury management strategy for 2013/14 to:

1. Raise the limit that could be invested in UK government-backed institutions to £15 million

2. Extend the investment period with the council's own 'house bank', the Co-operative Bank plc, to three months duration and to set a limit of £5 million
3. Provide the facility to invest £3 million in a pooled property fund
4. Add a limit of £5 million for the investment in corporate bonds with a minimum AA- credit rating or equivalent
5. Add a limit of £3 million for investment in equities via a pooled fund
6. Provide a limit of £15 million for investment in managed bond funds
7. Change the counterparty limits and maturity periods for investments with building societies as set out in table 5 of appendix A to the report

Some councillors expressed concerns at the proposal to invest in (c) to (f) above, worrying that the council would be taking unnecessary risks with taxpayers' money. Other councillors believed that the proposed strategy would allow the officers flexibility to place surplus funds, spread risk across a broader range of investment options, and achieve greater returns. The committee noted that the corporate bonds the council would invest in would be housing association bonds or AAA bonds. The strategy gave priority to security and liquidity.

The committee supported the recommendations, with the exception of Councillor Crawford who asked for his abstention to be recorded, and his concerns relayed to Cabinet.

**RESOLVED:** To recommend Cabinet to recommend Council to

- (a) approve the treasury management strategy 2013/14;
- (b) approve the prudential indicators and limits for 2013/14 to 2015/16 as set out in table 2, appendix A to the head of finance's report;
- (c) approve annual investment strategy 2013/14 set out in appendix A to the report and the lending criteria detailed in table 5.

#### **AG.49 External auditor's audit fee letter 2012/13**

The committee considered the 2012/13 audit fee letter from the council's external auditor, Ernst & Young. This set out the audit work proposed for the council for the 2012/13 financial year, and the actual audit fee for 2010/11.

The fees reflected the risk-based approach to audit planning set out in the Code of Audit Practice. The indicative fee of £61,397 would cover the cost of auditing the council's financial statements, providing a value for money conclusion, and Whole of Government accounts. The committee also noted that there was a separate fee of £19,750 for the certification of claims and returns in 2012/13.

The committee was pleased to note that the fee was reducing, subject to the external auditor finding no issues that required further investigation.

**RESOLVED:** To note the report.

#### **AG.50 Certification of claims and returns 2011/12**

The committee considered the annual certification report 2011/12 from the council's external auditor, Ernst & Young. This looked at the sums the council claimed from the

Vale of White Horse District Council – Audit and Governance Committee minutes

government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government.

The committee noted that the council's housing benefit subsidy claim was subject to both amendment and qualification. The amendment affected the grant due to the council, increasing it by £6,963. The auditor drew the committee's attention to the non-housing revenue account rent rebates section of the housing benefit claim. There were a number of errors disproportionate to the number and value of claims. The auditor believed effective data cleansing of non-housing revenue account cases would significantly reduce these errors, reduce audit time, and reduce the impact on benefit staff in resolving queries. If the auditor had not discovered the errors, this would have resulted in lost subsidy to the council.

**RESOLVED:** To note the report.

## **AG.51 Minutes**

**RESOLVED:** To adopt as a correct record the minutes of the committee meeting held on 26 September 2012 and agree that the chairman signs them.

## **AG.52 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 action 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> An investment strategy had been included in the treasury management and investment strategy considered earlier in the meeting.	<b>Action</b> Remove from the actions arising list.
<b>(b) 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 was the committee's role, not for the asset management group. The committee reviewed the ratios in the treasury management strategy.	<b>Action</b> Remove from the actions arising list.
<b>(c) 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 when in due course.	<b>Action</b> Retain on actions arising list.

<b>(d) 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> Information provided to all committee members.	<b>Action</b> Remove from actions arising list.

<b>(e) 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> The chief executive and Councillors Howell and Roberts had agreed to retain the existing procedure but review it after the next annual report.	<b>Action</b> Remove from the actions arising list.

<b>(f) 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> Treasury management training took place on 16 January 2013.	<b>Action</b> Remove from the actions arising list.

<b>(g) Review of complaints received during 2011/12</b>	<b>Committee Date – 26 September 2012</b>
The committee asked officers to provide a further breakdown of the complaints about the planning service in 2011/12.	
<b>Comment</b> Information provided by email on 4 October 2012.	<b>Action</b> Remove from actions arising list.

<b>(h) Review of complaints received during 2011/12</b>	<b>Committee Date – 26 September 2012</b>
The committee requested the audit manager to investigate what interim checks can be made to assess whether complaints are being recorded appropriately.	
<b>Comment</b> The audit manager reviewed the complaints guidance and a sample of comments/complaints received in revenues and benefits, waste, housing, food safety and planning. It was noted that there were contradictory statements within the staff	<b>Action</b> Remove from actions arising list.

<p>guidance on how the council defines a formal complaint, and there was no definition for members of the public on the council's website. These observations were passed to the personal assistant to the chief executive for action.</p> <p>With regards to the sample reviewed, internal audit did note a difference in interpretation of the policy within the waste team. This has been discussed with the waste administration team leader, and actions agreed to ensure a consistent approach. The internal audit team will follow up on these recommendations during the next complaints audit.</p>	
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<b>(i) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
<p>The committee asked the officers to review the retention of documents policy to establish whether the timescales are still relevant.</p>	
<p><b>Comment</b> Internal audit reviewed the timescales as part of a recent data protection audit 2012/2013, and has no concerns.</p>	<p><b>Action</b> Remove from actions arising list.</p>

<b>(j) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
<p>The committee asked the audit manager to check whether emails relating to changes to staff conditions of employment are accessible.</p>	
<p><b>Comment</b> Within the recent payroll audit 2012/2013, a sample of 11 starters, 20 leavers, 30 variations to pay and 20 amendments to personal data were reviewed. Authorisation evidence could not be located for 10 starters, five leavers, 14 variations to pay and seven amendments to personal data.</p> <p>However, an additional sample of the most recent 15 amendments to personal data were reviewed in October 2011, and 14 emails authorising the amendment could be located.</p> <p>This area will be reviewed again in 2013/2014.</p>	<p><b>Action</b> Remove from actions arising list.</p>

<b>(k) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the audit manager to check annual leave entitlement calculations to ensure they are correct.	
<b>Comment</b> A sample of the most recent 15 annual leave entitlement calculations were reviewed (10 part-time and 5 full time) in October 2011, and internal audit was satisfied that all calculations were correct and HR Pro had been updated accordingly.	<b>Action</b> Remove from actions arising list.
<b>(l) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the audit manager to follow up the need to reconcile weighbridge data for the amount of recycled waste collected.	
<b>Comment</b> The waste team have completed a reconciliation spot check of Q1 2012/13, and are aware that they need to complete further spot checks. Internal audit will continue to monitor progress against this recommendation.	<b>Action</b> Retain on actions arising list.
<b>(m) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the strategic director to review the process to record data once and pass it on to services when new homes are built and occupied.	
<b>Comment</b> Steve Bishop to review	<b>Action</b> Retain on actions arising list.
<b>(n) Internal audit activity report – quarter 2 2012/13</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the officers to provide a completion date for the reconciliation of brown bin customer data against the contractor's data.	
<b>Comment</b> Information provided by email on 15 October 2012.	<b>Action</b> Remove from actions arising list.
<b>(o) Audit Commission's annual governance report 2011/12</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the head of finance to produce a follow-up report on the reasons why the draft 2011/12 accounts contained errors.	
<b>Comment</b> Report submitted to the committee chairman with actions to avoid a repetition next year.	<b>Action</b> Remove from actions arising list.
<b>(p) Statement of accounts 2011/12</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the officers to find out how the property team arrived at the fixed asset value.	

<b>Comment</b> The council used the Royal Institute of Chartered Surveyors' 'red book' to determine fixed asset values.	<b>Action</b> Remove from the actions arising list.
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<b>(g) Statement of accounts 2011/12</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the officers to seek clarification so that the council can have confidence in the actuary's assessment of the council's liability for 2013/14 and beyond.	
<b>Comment</b> Oxfordshire County Council had advised that the actuary's assessment was the best estimate available.	<b>Action</b> Remove from the actions arising list.

<b>(r) Comments on internal audit reports not presented to committee</b>	<b>Committee Date – 26 September 2012</b>
The committee asked the officers to seek legal advice on whether certain post holders can be required to undertake a Criminal Records Bureau check.	
<b>Comment</b> Response pending from legal services.	<b>Action</b> Retain on actions arising list.

### **AG.53      Audit and governance work programme**

The committee updated its work programme for 2013/14. The external auditor reported that it would submit its annual audit letter and management report to the committee in September.

**RESOLVED:** To update the committee's work programme.

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

None

The meeting closed at 8.00 pm