

AG.15

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

**HELD AT THE GUILDHALL,
ABINGDON ON WEDNESDAY, 14TH
JANUARY, 2009 AT 7.00PM**

Open to the Public, including the Press

PRESENT:

Members: Councillors Dudley Hoddinott (Chair), Andrew Crawford (Vice-Chair), Terry Cox, Mike Murray, Jerry Patterson, Judy Roberts and Tim Smith

Substitute Members: Councillor Tony de Vere (in place of Councillor Janet Morgan), Councillor Melinda Tilley (in place of Councillor Matthew Barber)

Officers: Tim Barnett, Steve Bishop, Steve Culliford, Barry Davies, Bill Farrar, William Jacobs, Beverley Mizen, Harry Oliver, Adrianna Penn, Paul Staines and Gordon Willcox

Invitee from Audit Commission: Anne Ockleston

Number of members of the public: 7

AG.27 **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 Matthew Barber, Bill Melotti and Janet Morgan, as well as from Maria Grindley from the Audit Commission.

AG.28 **MINUTES**

The minutes of the Committee meeting held on 22 September 2009 were adopted and signed as a correct record.

AG.29 **DECLARATIONS OF INTEREST**

None

AG.30 **URGENT BUSINESS AND CHAIR'S ANNOUNCEMENTS**

The Chair asked everyone to switch off their mobile phones during the course of the meeting.

AG.31 **STATEMENTS AND PETITIONS FROM THE PUBLIC UNDER STANDING ORDER
32**

None

AG.32 QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 32

None

AG.33 AUDIT COMMISSION'S OPINION MEMO TO THE FINANCE DIRECTOR

The Committee received and considered the Audit Commission's Opinion Memo to the Council's Finance Director. This summarised the findings from an interim review of the Council's financial statements and material financial systems in 2007/08. The external auditor, Anne Ockleston, presented her report. She believed that the arrangements for closing the ledger and preparing the financial statements had worked well with the papers being produced in a timely manner.

Some of the issues referred to in the opinion had previously been raised in the report to the Committee on 22 September 2008. However, there were two further issues that required action. The first was that minor discrepancies within the bank reconciliation should be investigated and written off if appropriate. The second was that the investment property control account should be used correctly as a control account, reconciling the expected rental to the payments received. The officers agreed to action the two issues raised by the auditor. With regard to the investment property control account, reconciliation was carried out annually at the year end but a more regular check might be employed to assist this.

The Committee thanked the external auditor for her report and noted that it was a shorter report this year due to improved working papers from the Council's Accountancy staff.

RESOLVED

that the Audit Commission's Opinion Memo to the Finance Director dated December 2008 be received and that the two items listed in the action plan be implemented.

AG.34 AUDIT COMMISSION'S USE OF RESOURCES REPORT 2007/08

The Committee received and considered the Audit Commission's Use of Resources report for 2007/08. This evaluated how the Council had managed its resources. It focused on strategic financial management, sound governance and effective financial reporting, and how these supported the Council's achievement of its priorities, improving services and delivering value for money.

The external auditor, Anne Ockleston, presented her report. She reported that the outcome was positive. The Council's performance had demonstrated that arrangements were sound to deliver the Council's priorities and action had been taken to address those areas where performance had not been as strong. This should stand the Council in good stead to demonstrate outcomes in future assessments.

The Committee questioned the external auditor and the officers on some of the detailed key lines of inquiry:

1. It was reported that whilst the Council's medium-term financial strategy, budgets and capital programme were soundly based, they did not meet the

- revised criteria relating to the use of sensitivity analysis and did not take risk assessments and financial contingency planning into account within business planning. The Committee noted that efforts would be made to implement the new criteria.
2. Whilst the Council had continued to adequately manage its asset base, it did not have detailed running costs for its buildings. The Committee noted that this would be investigated in due course.
 3. Whilst the majority of the arrangements for the system of internal control were maintained, there had been a change in financial systems during the year without procedure manuals being prepared, leading to a lack of system reconciliations during the year. However, Members noted that this had since been corrected

The Committee recalled that a conscious decision had been taken in 2008 not to divert resources from higher priority activities to improve the Council's assessment score from 2 ('performing adequately') in 2006/07. However, despite this, the external auditors had awarded the Council a score of 3 ('performing well') for 2007/08. The officers were thanked for their work in achieving this higher score.

Members noted that the Use of Resources report was the last assessment that would be carried out under the Comprehensive Performance Assessment regime. From 2008/09 the assessment would form part of the new framework under the Comprehensive Area Assessment. The external auditor reported that the use of assets was unlikely to be assessed in the first or second year of the new assessment framework.

RESOLVED

- (a) *that the Audit Commission's Use of Resources report for 2007/08 dated December 2008 be received and the assessment score of 3 be noted; and*
- (b) *that it be noted that:*
 - (i) *efforts will be made to improve the use of sensitivity analysis, risk assessments and financial contingency planning into account within business planning regarding the Council's medium-term financial strategy, budgets and capital;*
 - (ii) *the detailed running costs of the Council's buildings in its asset base will be investigated in due course.*

AG.35 AUDIT INVESTIGATION ADVISORY GROUP

The Committee recalled that at its last meeting, an Advisory Group had been established to examine the outcome of the White Horse Leisure and Tennis Centre audit and to report back to the Committee's next meeting. This was because the service manager had been unable to attend the Committee to answer Members' questions for the last two meetings. Members had asked for this audit report to be examined before the Committee's next meeting.

The Committee received and considered the minutes of the Advisory Group's meeting held on 24 October 2008. Members were content with the outcome and the Advisory Group's recommendations.

RESOLVED

that it be noted that the Audit Investigation Advisory Group is content with the outcome of its meeting and has obtained agreement from the Deputy Director (Contracts and Procurement) and Internal Audit as follows:

- (i) in relation to Internal Audit's first recommendation, there should be a written regular monitoring report provided by the contractor to the Council to provide documentary evidence that the contractor is carrying out its responsibilities in recording comments and complaints; and*
- (ii) in relation to Internal Audit's second recommendation, that the Chief Executive's and Deputy Director's review of the annual monitoring process for the Council's major contracts will meet the recommendation and the concerns raised by Internal Audit and this will introduce a formal assurance framework.*

AG.36 INTERNAL AUDIT ACTIVITY REPORT 3RD QUARTER 2008/09

The Committee received and considered report 137/08 of the Audit Manager which summarised the outcome of recent internal audit activity. Members reviewed these and sought assurance that action had been taken where necessary.

Eight audits had been completed in the period since the last meeting as well as three follow-up reviews. Of these, four audits had resulted in only limited assurance being given. However, most of the recommendations had been agreed by the service managers. The Committee debated the following audits:

(i) Consultation

It was reported that as many of the recommendations had an implementation of April 2009, it was agreed that the Head of Communications should be invited to the March meeting to provide an update on the implementation of the recommendations and to answer Members' questions.

(ii) Rent accounting

Members noted that an audit of the rent accounting function had taken place in 2007/08 and a review had been requested. The review audit report was now presented to the Committee. There had been significant improvements to the service over the past year but further improvements were still to come. Resources were now in place to implement these improvements. The manager outlined the difficulties of managing this service and the previous problems experienced in using the Council's sundry debtor software to manage rent accounts. A separate system was now used to manage the accounts and reconciliation with the Council's Agresso system was now carried out monthly. The auditors and the Chief Finance Officer were satisfied with the progress made and the current reconciliation arrangements.

(iii) Brown bins

It was reported that the service manager was unable to attend the meeting to answer Members' questions. However, it was noted that the officers would look again at incentives for payment by Direct Debit when the service was reviewed and the payment collection process needed to be refined. Internal Audit had a consultancy role to play in assisting services in designing the best methods to reduce risks. Any changes would need to be in line with the Council's Financial Regulations also.

(iv) DSO

The audit was the first of the Council's Direct Services Organisation (DSO) and it had been requested by the service manager as there had been significant changes in the past two years. The recommendations had been welcomed to help guide the service on further improvements. Members thanked the officers involved and valued their work.

(v) Concessionary Fares follow-up review

Members were pleased to note that this review had resulted in a satisfactory rating. However, Members sought assurance that the Council was being charged correctly for journeys under the bus pass scheme. It was suggested that an independent auditor could be used to carry out checks. Members supported this approach.

The Head of Finance reported that, despite some deadlines not being met from the original audit, he was confident that the revised deadlines would all be met.

Members requested that in future, the period the audit covered should be reported to allow Members to assess the level of risk.

RESOLVED

that the report be noted.

AG.37 INTERNAL AUDIT MANAGEMENT REPORT - 3RD QUARTER 2008/09

The Committee received and considered report 138/08 of the Audit Manager, which looked at management issues of Internal Audit, and summarised progress against the Internal Audit Plan for 2008/09 to 24 December 2008.

It was noted that there was a vacant post in Internal Audit which would hopefully be filled by April 2009. Despite this, the team was on track to complete the current year's plan.

Members noted that the 2009/10 annual audit plan was due to be presented to the Committee for approval in March 2009. However, it was expected that the new shared management structure would bring a period of significant change as the new senior management team reviewed the Council's services and harmonised systems

and processes in order to create efficiencies and savings. For Internal Audit to add value during this period of adjustment and change, it was possible that temporarily greater emphasis would be required on system development/consultancy work. The Audit Manager would be meeting with the Chief Executive and Directors to discuss priorities for the 2009/10 plan. The external auditor reported that the Internal Audit Plan would be assessed against best practice Internal Auditing standards and the external auditor would be working closely with Internal Audit to achieve this.

Members noted that the compliance self-assessment with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice included the need to prepare an Internal Audit strategy. Members suggested that this should be a short document as the team had already adopted thorough processes.

RESOLVED

- (a) that the report be noted; and*
- (b) that approach to the Internal Audit Plan 2009/10, as outlined in report 138/08, be approved.*

AG.38 EXCLUSION OF THE PUBLIC, INCLUDING THE PRESS

RESOLVED

that in accordance with Section 100A(4) of the Local Government Act 1972, the public including the press be excluded from the remainder of the meeting to prevent disclosure to them of exempt information, as defined in Section 100(1) of Part 1 of Schedule 12A, as amended, to the Act when the following item is considered:

Internal Audit Investigation Report

(Category 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information.)

(Category 7 – Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.)

AG.39 INTERNAL AUDIT INVESTIGATION REPORT

The Committee noted an Internal Audit investigation report.