

# Minutes



Listening Learning Leading

OF A MEETING OF THE

## **Audit and Corporate Governance Committee**

HELD AT 6.00PM ON 12 NOVEMBER 2008

AT COUNCIL OFFICES, CROWMARSH GIFFORD

### **Present:**

Mr P Greene (Chairman)

Mr P Cross, Mr M Harris, Mr P Harrison<sup>1</sup>, Mr R Peasgood, Mrs A Purse

### **Apologies:**

Mrs M Davies tendered an apology.

### **Officers:**

Mrs K Fiander, Mr S Hewings, Mr W Jacobs, Mr M Prosser

### **Also present:**

Mr I R Mann, Cabinet member for finance; Audit Commission - Ms M Grindley, District Auditor, Ms A Ockleston, Audit Manager, Ms H Ormston, Principal Auditor

## **25. Substitutes on the committee**

The Chairman referred to Mrs M Davies' absence. The Chairman had requested that a councillor act as a substitute on her behalf. This request could not be accommodated because Mrs Davies was a non-group member. The Chairman emphasised that this committee should act in a non-political way and so it was important that consideration should be given to finding a way to allow a councillor to substitute for Mrs Davies.

## **26. Receipt of committee papers**

Mr P Harrison advised that, in spite of receiving assurances that committee papers would be posted before the weekend, he still had not received paper copies and had had to print the emailed copies. Consequently, he had been unable to read all the reports and would be leaving the meeting on conclusion of item 27.

---

<sup>1</sup> Mr P Harrison left the meeting on conclusion of agenda item 27.

Whilst other committee members had received their copies, the Chairman acknowledged that the reports and papers had been available for posting after the due date. He emphasised that they should be available on time.

## 27. Annual governance report

The committee considered the report of the Head of Finance that reemphasised the main points of the Audit Commission's annual governance report - the annual governance report set out the findings from the Audit Commission's 2007/08 audit. The report of the Head of Finance also explained how the annual governance report and the following agenda item, the approval of the statement of accounts 2007/08, worked together.

A number of amendments to the report were highlighted. At page 3-16, the report should have read that Richard Quayle started with the council in *April 2008*. At page 3-32, note 19 *net assets employed* should read £123,433,000 instead of £123,162,000. Mr W Jacobs, Head of Finance, reported that the model draft letter of representation (page 3-21) had been amended to reflect a post balance sheet event affecting the council. He referred the committee to note 27 of page 52 of the accounts, which reported the administration of Icelandic bank, Kaupthing Singer Friedlander. The council had £2,500,000 invested in the bank with the likelihood of repayment unknown. As a consequence, the amended paragraph in the draft letter of representation read:

“Since the date of approval of the financial statements by the Audit and Corporate Governance Committee there has been one significant post balance sheet event that has occurred. This does not require additional adjustment to the financial statements and is disclosed in the notes to the balance sheet.”

Ms M Grindley, District Auditor, presented her report highlighting that the main issues in the audit were systems and processes, which resulted in amendments to the statement of accounts. The amendments were summarised within a table in the annual governance report. She was pleased with the way officers had responded and the way in which the council and Audit Commission teams worked together. The report made recommendations to ensure the difficulties experienced would not occur next year and she had no concern that these recommendations would not be responded to appropriately.

Committee members sought assurances on the revised statement of accounts and annual governance report with Mr I R Mann, Cabinet member; Ms M Grindley, District Auditor, Ms A Ockleston, Audit Manager, Audit Commission; Mr M Prosser, Strategic Director, Mr W Jacobs, Head of Finance and Mr S Hewings, Chief Accountant, responding as set out below.

Acknowledging dissatisfaction that the draft accounts considered in June 2008 were materially different to those now presented, Mr S Hewings, Chief Accountant, assured the committee that in June 2008, the accounts were the best that could be presented. At the audit stage, a number of issues had become evident.

On being asked if there were any issues that could have been identified before the audit, Mr W Jacobs, Head of Finance, commented that three issues had contributed

to the problems encountered. The first was a recurrent problem and that was the presentation of accounts, the standards for which changed according to International Accounting Standards and would continue to do so in future. The second issue was the change to Agresso during the year and the problems of reconciliation that subsequently occurred. This had been a significant problem but it was now resolved and regular reconciliation would take place throughout the year. The third issue was gaining experience in the preparation of accounts. The best sets of accounts are produced by staff with a number of years experience of an organisation and of the accounts production process. The council had not benefited from this in recent years having had five chief accountants since 2001. There was now stability within the accountancy team so this, coupled with the planning undertaken for 2008/09, would be evidenced in the set of accounts that would be prepared in June 2009. In relation to the 2007/08 accounts, the process of preparation could have commenced earlier. However, an experienced member of staff was absent during this period and, on reflection, additional resources could have been brought in but they would have required up to date knowledge of revised accounting code of practice.

To mitigate any future risks of double counting asset register entries, which had contributed to a £4,500,000 error in the accounts, there was a role for the Finance team to ask the Economic Development team to check the information it provides for inclusion in the statement of accounts.

In relation to the inability to reconcile the business rate system and council tax system with the ledger following the transition to a new system, Academy, a clearer picture was emerging of where the differences lay. Ms A Ockleston, Audit Manager, reassured the committee that the issue was where to allocate the sum, not that there was money missing. In addition, Mr W Jacobs, Head of Finance, stated that the amount involved was a very small proportion as part of the total postings into the account. Furthermore, officers had now gained experience on this system.

Production of an up to date capital strategy had been delayed but was included in the work plan for 2008/09. Its delay was in part due to the absence of a key member of staff. Production of an estate plan was in the work plan for the Economic Development team for 2008/09.

In response to a question about planning the transition to new systems, Mr W Jacobs, Head of Finance, confirmed that the transition had not been smooth. One issue from the client perspective was that it had taken time to gain understanding of three very complex systems. If resources had been available, they could have been used to gain understanding but he was satisfied there was now much better understanding of the systems. The Chief Accountant would be working with the contractor to establish if there were any weaknesses on their behalf. A report was being presented to the Ridgeway Shared Services Partnership's strategic board and would be presented to the Audit and Corporate Governance Committee's next meeting. In relation to joint working and the new management structure, Mr W Jacobs reassured the committee that the council already undertook joint working within the finance team.

Ms M Grindley, District Auditor, confirmed that she was satisfied with the responses given to each of the recommendations made by the Audit Commission. She was also satisfied with the timing of the responses. She also confirmed that there had been no risk of the Audit Commission issuing a public interest report.

Ms M Grindley, District Auditor and Ms A Ockleston, Audit Manager explained to the committee the extent and type of work necessitated during the audit of the statement of accounts. In setting an audit fee, an assessment of risk was made as a basis for a fee. The Audit Commission's final fee was based on hours and would be confirmed on completion of the accounts but could be marginally less than the total audit fee of £135,260 as referred to in their report. In relation to the 2008/09 audit fee, the same risk based assumptions would be made once assurances were received that risks were being mitigated. As an approximation, the fee would probably be between the planned and actual fee for 2007/08. In terms of shared working with Vale of White Horse District Council there was a lot of work to do before negotiating the fee.

In relation to the action plan and recommendation R1, *resources within the Finance Department should be reassessed to provide resilience*, Mr M Prosser, Strategic Director, confirmed that resources were being sought to replace one post and provide support to the Chief Accountant. He was confident those resources would be put in place.

As a consequence of recent legislation in relation to directors' duties, Mrs K Fiander, Democratic Services Officer, advised that she had seen recent guidance in relation to directors' duties and could provide information to councillors at a future meeting. Mr W Jacobs, Head of Finance, confirmed that councillors were fulfilling their obligations through the interrogation of the Audit Commission and South Oxfordshire District Council officers.

Having considered the assurances from the Cabinet member for finance, the Audit Commission and officers, a motion moved and seconded to approve the officers' recommendations, was declared carried.

**RESOLVED** to:

1. note the Audit Commission's annual governance report
2. authorise the Head of Finance to write a letter of representation to the Audit Commission so that the audit opinion on the financial statements can be issued
3. agree the action plan as identified as appendix 2, pages 3-40 of the annual governance report.

## **28. Approval of statement of accounts 2007/08**

The committee considered the report of the Head of Finance, which provided the revised statement of accounts. Having considered the recommendations and the adjustments as part of the previous report, a motion, moved and seconded to approve the officer's recommendation, was declared carried.

**RESOLVED** to approve the statement of accounts for 2007/08 as amended and that the Chairman sign them.

The meeting closed at 7.20pm.

Chairman

Date