

Minutes



Listening Learning Leading

OF A MEETING OF THE

Audit and Corporate Governance Committee

HELD AT 6.00PM ON 25 MARCH 2009

AT COUNCIL OFFICES, CROWMARSH GIFFORD

Present:

Mr P Greene (Chairman)

Mrs F Aska¹ (as substitute for Mr M Harris), Ms J Bland (as substitute for Mr R Peasgood), Mrs S Cooper (as substitute for Ms A Purse), Mr P Cross, Mrs M Davies, Mr P Harrison

Apologies:

Mr M Harris, Mr R Peasgood and Ms A Purse tendered apologies

Officers:

Ms S Bayley, Mr S Bishop, Mr D Buckle, Mr G Bushell, Mr A Down, Mrs K Fiander, Mrs H Hall, Mr S Hewings, Mr W Jacobs, Mrs C Kingston, Mrs P O'Callaghan, Mr H Oliver, Ms A Penn, Mrs S Truman

Also present:

Audit Commission - Ms M Grindley, District Auditor and Mrs A Ockleston, Audit Manager

35. Minutes 22 January 2009

RESOLVED: to approve the minutes of the meeting held on 22 January 2009 and the confidential minute of that date as a correct record and to agree that the Chairman sign them.

36. Exclusion of the Public

RESOLVED: to exclude members of the press and public from the meeting for the following item of business under Part 1 of Schedule 12A Section 100A(4) of the Local Government Act 1972 and as

¹ Mrs F Aska arrived during item 35.

amended by the Local Government (Access to Information) (Variation) Order 2006 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Act, and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

ITEM CONSIDERED WITH THE PUBLIC EXCLUDED

37. Early Retirement

The committee considered the confidential report of the HR Manager, which set out the case for awarding a discretionary one-off payment to an employee on being granted early retirement in the interests of efficiency. The last day of service would be 31 March 2009.

In response to questions, Mr A Down, Head of HR, IT and Customer Service, and Mrs H Hall, HR Manager, advised that age and length of service were referred to when proposing an appropriate payment. It was awarded to recognise years of service and on the basis of the council's ability to pay.

The committee agreed the recommendation because of the business benefits arising from the granting of early retirement.

ITEMS CONSIDERED IN PUBLIC

38. Use of Resources and Comprehensive Area Assessment

The committee considered the report of the Head of HR, IT and Customer Services, which provided the committee with an opportunity to comment on the Audit Commission's draft Use of Resources 2007/08 report and judgement. The Head of HR, IT and Customer Services' report also provided an update on the replacement by central government of Comprehensive Performance Assessment (CPA) with a new Comprehensive Area Assessment (CAA) framework, which would apply to all councils from 1 April 2009. The report described the preparatory work the council was undertaking for CAA.

Mrs A Ockleston, Audit Manager, introduced the Audit Commission's report. She emphasised that this report came at the end of a very difficult year with changes in council staffing and changes to the key lines of enquiry. She highlighted that it was important for the committee to think about the future rather than what had happened previously.

Mr W Jacobs, Head of Finance, further emphasised that the Audit Commission's report addressed historical issues relating to the lateness of the financial statements. The committee was aware of these issues and had debated them extensively at previous committee meetings. Notwithstanding the lateness of the financial statements, they had been signed off without qualification and a number of the issues raised by the Audit Commission had already been addressed. For instance, Cabinet had agreed a capital strategy, which council would also consider.

Responding to committee comments on errors in the financial statements, Mr W Jacobs also explained that just one error could lead to a many misstatements. This gave a misleading picture of inaccuracy within the statements. He reiterated the Audit Commission's comment that there had been changes in personnel. However, going forward there was now consistency within the team. This should give the committee confidence that the accounts would be correct on 30 June 2009.

In considering comments and questions on the financial systems, Mr W Jacobs stated that there was always room for improvement in any system. There was also room for a speedier pace of change. The Chief Accountant met with Capita to ensure any improvements were made. He explained that in holding Capita to account there was a pay and performance mechanism in place which enabled them to obtain a fee or incur a penalty. A penalty was charged in 2008/09. This did not relate to issues relating to production of the financial statements as the council also contributed to the problems. However, the pay and performance arrangements were under negotiation as performance was previously measured against BVPIs, which no longer existed. As a result, a new set of fees was under negotiation. Such issues and the systems maintained by Capita were discussed regularly by the board of the Ridgeway Shared Services Partnership.

Mr W Jacobs acknowledged that maybe too many systems had changed in one go. If the issues were again becoming apparent, he would seek approval from council for additional resources.

Mr S Bishop, Strategic Director, responded to comments and questions and gave an assurance on behalf of the management team that the council would endeavour to reach a level 3 score in the Use of Resources assessment. Mr D Buckle, Chief Executive, added to this giving the Leader and Cabinet's reassurance that the council would endeavour to achieve a level 3. In response to a question about Vale of White Horse District Council, Mr S Bishop advised that they had had fewer issues with the accounts. He considered that this was possibly attributable to fewer changes to their systems.

Mr S Hewings, Chief Accountant, endorsed the comments of the Head of Finance in that the finance team was undertaking its planning work earlier this year. The team would also be fully resourced to deal with the accounts with planning work detailed in a weekly task list. If there were any apparent problems, these would be reported to the Head of Finance on an exception basis. He also confirmed that the process of reconciliation on the fixed asset accounting had commenced to prevent the one error that had occurred in 2008/09. In anticipation of future accounting requirements, team members had received training on the IFRS.

In relation to risk management, Mr G Bushell, Business Improvement Manager, gave an assurance that now the staffing pressures had been resolved, the council would achieve a higher score on the risk element of the assessment. The council was taking a more proactive approach with management team regularly reviewing the risk register.

Ms M Grindley, District Auditor, and Mrs A Ockleston, Audit Manager, reported that in the Use of Resources assessment, most councils conformed to a traditional bell curve with the majority of councils achieving a score of 2 or 3. Regardless of discussions with officers, it would be difficult to predict whether or not there would be

an improvement in this council's scores because the assessment of outcomes would take in a rounded picture of everything.

Mrs M Davies reiterated the committee's views stating that she was not surprised at the outcome of the assessment. The committee had dealt with the issues before. Although the outcome was disappointing and it was not good enough, the message was that there was potential to do better. That said, the scores on value for money were relatively good so it was not all bad news. The committee would want to see improvement and would not want to see similar problems in June 2009 as this would be unacceptable.

The committee noted the arrangements to achieve level 3 in the forthcoming Use of Resources assessment and requested a report for its next meeting on the systems provided by Capita.

39. Business Continuity: report of a councillor on a service area's business continuity plans

The committee considered the report of Councillor Paul Harrison following his review of the ICT business continuity plan.

On the committee's recommendation, Mr A Down, Head of HR, IT and Customer Service, agreed to include the Chief Executive on the list of those officers that can invoke the disaster recovery procedure.

40. Internal Audit Activity Report 2008/2009 Quarter 4

The committee considered the report of the council's Audit Manager, which summarised outcomes of recent internal audit activity. The committee was asked to review the main issues arising from the audit reports and seek assurances that action had been or would be taken where necessary.

The committee noted two amendments on page two of the report in relation to the *high risk recommendations* referred to in the anti-fraud and corruption audit, which should read two (instead of four). The number of *recommendations agreed* was also two, not four.

General ledger audit

Committee members expressed concern that a number of recommendations from a previous audit had not been implemented and sought assurance that the same issues would not arise in future. Mr W Jacobs, Head of Finance, explained that the council had not had a systems accountant who could ensure the system worked appropriately. A follow up report in six months time would demonstrate progress on implementation in the areas on which the committee sought assurances.

Responding to comments on issues in relation to account reconciliation, Mr W Jacobs, commented that the process was now split between the council and Capita and that the council's area of responsibility was up to date. In noting that a number of the recommendations in the bank reconciliations and general ledger report involved the co-operation of Capita, committee members expressed disappointment that representatives of Capita were not present at the meeting to respond to some of the concerns raised. They requested that Capita attend the meeting in June 2009.

Mr S Bishop, Strategic Director, advised that a number of changes to suspense account procedures had been implemented to allow more effective allocation of cash, which would make the process of identifying and allocating items less laborious.

With reference to payments made for brown bin services, Committee members commented that they were dissatisfied with the method used to identify customers who had already paid for their brown bin collections.

Focus group payments

Mrs S Truman, Policy and Community Engagement Manager, advised that all processes from the audit recommendations were in place as a result of the audit. However she had not been able to test them as no focus group activity had taken place.

Dog control

In response to comments that committee members would have liked someone from the Environmental Protection team to attend to answer questions on implementation dates which had now passed, the Audit Manager confirmed that she would provide an email update and would then bring the report to the next meeting.

Consultation

In response to a question Mrs S Truman, Policy and Community Engagement Manager, advised that a lot of teams within the council undertook consultation without reference to her team. As such there were no procedures to guide other teams in undertaking consultation and no sign-off mechanism in place. She advised that the cost of council-wide consultation activity was not known.

She explained that the revised target dates for implementation, as detailed in the report were not as a consequence of any slippage in performance. She explained that she had initially agreed target dates but these dates related to inclusion of the actions within the Community Engagement Strategy. It was not her intention that the actions would be completed by the dates.

41. Review of Internal Audit Report 2009/2010

The committee considered the report of the Strategic Director that proposed that only limited and nil assurance internal audit reports should be presented in full to the committee. All other satisfactory and full assurance internal audit reports would be made available to committee members but would only be presented and discussed at committee by request prior to the meeting.

Committee members considered the proposals and suggested that the reports should be sent to all councillors, not just those on the Audit and Corporate Governance Committee. Committee members also suggested that the reports were sent when complete rather than all at the same time and that committee members pay attention to deadlines that have passed within the reports.

Committee members agreed the proposals with the proviso that the Internal Audit Manager's report should continue to include the summary of internal audits, which set out information on planned and unplanned audits as well as follow up reviews.

42. Internal Audit Management Report Quarter 4

The committee considered the report of the council's Audit Manager, which contained a report on management issues, summarised the progress of internal audit against the 2008/2009 audit plan up to the 16 March 2009 and summarised the priorities and planned audit work for the remainder of quarter 4, 2008/2009.

In response to questions, Ms A Penn, Audit Manager, advised that she had seen an improvement in relationships between officers and internal audit in the last year. She also advised that when undertaking audits, auditees were advised to be realistic about implementation dates. She confirmed that no date had been agreed for the ICT audit because the harmonisation work between South Oxfordshire District Council and Vale of White Horse District Council was seen as being of primary importance.

The committee noted the report.

43. Internal Audit Annual Plan 2009/2010

The committee considered the report of the council's Audit Manager that explained the process for setting the internal audit plan and for calculating the resources available; set out the proposed internal audit annual plan for 2009/2010, based on six months fixed and six months indicative.

RESOLVED: to approve the six months fixed and six months indicative internal audit annual plan for 2009/2010.

44. Draft Annual Governance Statement

The committee considered the report of the Head of Legal and Democratic Services that asked the committee to consider the draft Annual Governance Statement (AGS) 2008/09.

The Democratic Services Officer advised that this version of the AGS should have but did not contain the Audit Manager's assurances. She would circulate the text to committee members via email. Once approved at a later committee meeting, the final AGS would be available for public inspection on the council's website as part of the financial statements.

Committee members asked to have a structure chart showing management responsibilities within the AGS.

Responding to comments and questions Mr W Jacobs, Head of Finance, confirmed that he would be seeking additional temporary resources to primarily look at Academy, Agresso and brown bin receipts.

The committee noted that it would receive a further updated version of the AGS at its June 2009 meeting.

45. Audit Commission's Annual Audit and Inspection Letter

The committee considered the Audit Commission's Annual Audit and Inspection Letter. The purpose of the letter was to provide an overall summary of the Audit Commission's assessment of the council. The findings drew on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

Ms M Grindley, District Auditor, reported that the key message was that this was a positive letter with a positive direction of travel. There were no specific issues to highlight that had not already been raised.

Committee members noted that the council needed to improve outcomes for local people in relation to crime. They considered that the council did a lot of crime prevention work but that the council was not wholly responsible for crime so they would prefer to see reference to initiatives to "help to reduce crime".

Responding to a question Mr S Bishop, Strategic Director, advised that as CPA had now been replaced by CAA, the performance reporting element within the report could not be continued. However, he was hopeful that government would confirm reporting in terms of quartiles, which would be useful for benchmarking purposes.

Ms M Grindley, District Auditor, explained that the overall score on the Use of Resources on page 12 of the report was not an average score. Instead, there were rules and weighting afforded to each of the individual scores. The rules on scoring were publicly available on the Audit Commission's website.

The committee noted the report.

46. Opinion Audit Report

The committee considered the Audit Commission's Opinion Audit report. The report explained that the audit plan considered by the committee in March 2008 set out the work the Audit Commission anticipated at that time.

Mrs A Ockleston, Audit Manager, explained that at the time, the Audit Commission had not been through the accounts process. As such, the accounts process was seen as high risk. As a consequence, this report identified opinion audit risks, the testing strategy, key milestones and deadlines and proposed audit fees. The proposed audit fees reflected the anticipated additional work.

Responding to a question, Mrs A Ockleston advised that the fee was unlikely to reduce because it was based on the work the Audit Commission knew it would have to do.

Mr S Bishop, Strategic Director, and Mr S Hewings, Chief Accountant, responded to comments and questions as follows:

- It was not possible to make a comparison with Vale of White Horse District Council, as their audit was classed as low to medium risk.

- Whilst Capita provided services to Vale of White Horse District Council, the services were not identical. For example, Capita was responsible for cash receipting at South Oxfordshire District Council but at Vale of White Horse District Council it was dealt with in-house. This council may consider a growth bid in 2010/11 to change the system. The system at Vale of White Horse District Council cost £50,000, which could be an effective way to reduce system weaknesses. However, a lot of work had been undertaken with Capita in order to address weaknesses in the system by 1 April.

The meeting closed at 8.15pm.

Chairman

Date