

Minutes



Listening Learning Leading

OF A MEETING OF THE

Audit and Corporate Governance Committee

HELD AT 6.00PM ON 23 MARCH 2010

AT COUNCIL OFFICES, CROWMARSH GIFFORD

Present:

Mr P Greene (Chairman)

Mr P Cross, Mr M Harris, Mr P Harrison

Apologies:

Mrs M Davies tendered apologies.

Officers:

Mr S Bishop, Mrs K Fiander, Mr S Hewings, Mr P Howden, Mr W Jacobs,
Mrs P O'Callaghan, Ms M Slater

Also present:

Mr I R Mann, Cabinet member for finance
Mrs A Ockleston, Audit Manager, Audit Commission¹
Ms S King, Capita

Ms M Grindley, Audit Commission, was unable to attend the meeting.

29. Minutes 15 December 2009

RESOLVED: to approve the minutes of the meeting held on 15 December 2009 as a correct record and to agree that the Chairman sign them.

30. Housing and council tax benefits

At its December meeting, the committee requested an update on Capita's performance. Mr P Howden, Revenues and Benefits Client Manager, circulated a written update on the audit report considered by the committee in December 2009.

¹ Mrs A Ockleston left the meeting after item 32.

Ms S King, Capita, advised that it was now taking about 19 days to get people into the benefit system. By the end of the year it was hoped that change of circumstance claims would be averaging 13 days and thereafter 10 days.

Mr S Bishop, Strategic Director, explained how the council could deal with the potential loss of subsidy of £72,000 caused by the level of benefit payments made in error. This would involve approaching the Department for Work and Pensions and the Audit Commission to potentially adjust the claim. Alternatively it could involve putting in a claim against Capita. Mr I R Mann, Cabinet Member, emphasised that the council had been addressing the matter and he wanted the processes to be correct.

The committee noted the report.

31. Audit Commission report on the certification of annual claims and returns

The Chairman agreed to reorder the agenda, allowing items 11 and 12 to be considered in the context of the item on housing and council tax benefits.

The committee considered the report of the Audit Commission on the certification of 2008/09 grant claims and considered whether the actions for improvement are adequate. The council needs to manage claiming income from grant paying departments and needs to demonstrate to the auditors that it has met the conditions attached to grants. The report summarised the findings from the certification of 2008/09 claims.

Ms A Ockleston, Audit Manager, introduced the report. She emphasised the large amount of money involved in making claims to grant paying departments and that this was a useful audit for detecting any underlying problems. She drew to councillors' attention the issues arising around housing benefit although the council was known to be addressing the problems. She referred to the qualification letter and advised that it was up to the Department of Work and Pensions as to whether they accepted the findings. The Audit Commission was currently undertaking some testing on claims where applicants already had an income.

Mr S Bishop, Strategic Director, commented on the report acknowledging that it was the first time South Oxfordshire District Council had received a qualification. He acknowledged that this must not happen again but also highlighted that as many as 50 per cent of councils had had their claims qualified. Of greatest concern was the lack of an adequate control environment for completing claims. The council would implement all the recommendations in the Audit Commission's report.

Responding to a question, Mr S Bishop advised that the causes of this situation were being investigated. In part it could have been the transfer of claims processing between different Capita sites that had resulted in an increase in the number of errors in processing benefits claims. There needed to be clear understanding of the underlying causes of the errors made in benefit claims and the unsatisfactory accuracy rate, which meant that the performance of individual benefits assessors was being considered. Capita was undertaking the work but the council had realised it needed to step in and was overseeing it. In addition a consultant, provided free by the Department for Work and Pensions, was assisting with the work. As a result of

the measures being taken with Capita, this would not happen again and improvements would be evident within three months.

Ms S King added to Mr Bishop's report stating that a compounding problem was the increase in caseload since 2008. Additional resources were being taken on to rectify the problems. Mr I R Mann endorsed this, adding that there was also an increase in the backlog and the transfer across sites had contributed to the problem.

Ms A Ockleston advised that the costs to the council could be greater if the Audit Commission had to undertake additional work and that the loss could also be greater.

The committee noted the report and requested an update at its June meeting.

32. Audit Commission's opinion plan

The committee considered the Audit Commission's 2009/10 Opinion Plan. The plan set out the work the Audit Commission proposed to undertake for the audit of the 2009/10 financial statements. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to local circumstances; and
- local risks

Ms A Ockleston advised that she did not anticipate any serious issues. She did draw attention to the requirement for the council to disclose remuneration details of senior officers and that this would be more complicated for the council because of the shared management arrangement with Vale of White Horse District Council.

In response to a question, Ms Ockleston advised that the fee for the Use of Resources would increase because of an additional key line of enquiry.

The committee noted the report.

33. Risk management update

The committee considered the report of the Head of HR, IT and Customer Services that requested the committee to comment on the management of the council's operational and strategic risks as part of the council's regular reporting to the committee.

Mrs P O'Callaghan, Corporate Risks Officer, introduced the report. Examples of current operational risks were handed to committee members.

The committee noted the report.

34. Internal audit activity report quarter 4 2009/2010

On hearing the news that Mrs Adrianna Partridge had given birth to a baby girl, the committee extended their congratulations to her and her family.

The committee considered the report of the Head of Finance that summarised the outcomes of recent internal audit activity for the committee to consider and for the committee to seek assurance that action has been or will be taken where necessary.

Ms M Slater, Auditor, introduced the report. One limited assurance report was presented to the committee: this was payroll. Because the Internal Audit Manager had temporarily acted as payroll manager until her maternity leave, this audit had been completed by Mazars who provided support to the council under a framework contract.

Mr W Jacobs, Head of Finance, advised that the Internal Audit Manager had acted as temporary payroll manager because of a number of issues in payroll. She had developed a 28 page action plan, which was approximately 50 per cent complete. However, further issues continue to be identified. The implementation dates of many of the audit recommendations would be achieved by 30 April, not 31 March because of absence, mainly sickness and maternity, within the team. He added that the council currently had a payroll expert working within the team who had identified a number of issues but was adding real value to the team.

The committee noted the report.

35. Internal audit management report quarter 4 2009/2010

The committee considered the report of the Head of Finance that reported management issues, summarised the progress of the internal audit team against the 2009/2010 audit plan up to 5 March 2010 and summarised the priorities and planned audit work for the remainder of quarter 1 2010/11.

Ms M Slater, Auditor, introduced the report. The committee noted that a new auditor had started work with the council and that, in future, follow up reports of audits would state that actions were in progress rather than *not achieved*.

36. Internal audit annual plan 2010-2011

The committee considered the report of the Head of Finance that explained the process for setting the internal audit plan and for calculating the resources available; that set out the proposed internal audit annual plan for 2010/2011 and requested the committee to approve the internal audit annual plan for 2010/11.

Ms M Slater, Auditor, introduced the report. In particular, the committee's attention was drawn to the request by management team that internal audit focussed on priority audits and did not carry out priority three audits, which involved lower risks to the council.

In response to a question, Mr W Jacobs and Mr S Bishop confirmed that they considered 582 hours to be sufficient audit resources for the two councils but would review the position later in the year, as well as reviewing the position concerning priority three audits.

RESOLVED: to approve internal audit annual plan for 2010/2011.

37. International Financial Reporting Standards

The committee considered the report of Mr S Hewings, Chief Accountant, that provided an update on the implications of the new International Financial Reporting Standards (IFRS).

In particular he commented on the following:

Developments since the last meeting

- The approval of growth bids for IFRS transition support and a fixed asset accounting system.
- Training having taken place at Audit Commission chief accountants' workshops and by CIPFA on 2009/10 closedown.
- Work on employee benefits and leases had started, which were two of the bigger areas for the restated balance sheet.
- The 2009/10 accounts reflecting the early adoption of IFRS accounting requirements.

Audit Commission input

- The Audit Commission had published *Countdown to IFRS*, which identified that only one in seven councils was on track with the transition to IFRS.
- The Audit Commission has started producing briefing papers for practitioners.

Forthcoming activity

- The council needed to make progress with IFRS. To this end, the Chief Accountant had met with the Vale of White Horse District Council's Chief Accountant to consider this. They had decided that one of them would lead on IFRS for both councils and would constitute a project group for all relevant parties.
- Both chief accountants had begun discussions on how best to utilise the transition support and would work on a joint project plan.
- The Chief Accountant would focus on IFRS as much as possible until the needs of the 2009/10 accounts closedown dictated.
- Most of the work on the restated opening balance sheet and on restating the 2009/10 accounts would need to be complete before the main work of budget setting for 2011/12 took place.
- A fixed asset accounting system would need to be bought but the existing spreadsheets would be used to complete the 2009/10 accounts.
- Officers will liaise with external audit to establish when the restated IFRS accounts would be audited.

The committee noted the report.

38. Draft money laundering policy

The committee considered the report of the Head of Finance that asked the committee to consider and comment on the draft money laundering policy that had been subject to consultation. Cabinet would be asked to approve the policy in April. The Audit and Corporate Governance Committee would be responsible for the overview of the policy.

In response to a question, Mr W Jacobs, confirmed that the council would raise awareness of potential money laundering issues amongst key staff who were in a position to identify money laundering if it should occur.

RESOLVED: to recommend Cabinet approves the anti money laundering policy.

The committee noted the report.

The meeting closed at 7.20pm.

Chairman

Date