

# Minutes



Listening Learning Leading

OF A MEETING OF THE

## **Audit and Corporate Governance Committee**

HELD AT 6.00PM ON 29 JUNE 2010

AT COUNCIL OFFICES, CROWMARSH GIFFORD

### **Present:**

Mr P Greene (Chairman)<sup>1</sup>

Mrs F Aska, Mr P Cross, Mr P Harrison, Mr R Peasgood, Ms A Purse

### **Apologies:**

None

### **Officers:**

Mr S Bishop, Mrs K Fiander, Mr S Hewings, 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 Commission  
Mr D Keen, Capita

### **1. Election of Chairman for the municipal year 2010/11**

The committee elected Mr P Greene as Chairman for the 2010/11 municipal year.

### **2. Election of Vice Chairman for the municipal year 2010/11**

The committee elected Mr P Cross as Vice-Chairman of the committee for the 2010/11 municipal year.

### **3. Minutes, 23 March 2010**

**RESOLVED:** to approve the minutes of the meeting held on 23 March 2010 as a correct record and to agree that the Chairman sign them, subject to an amendment to paragraph 3 of minute 36 to reflect audit resources of *582 days* instead of *582 hours*.

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<sup>1</sup> Mr Greene was elected Chairman as the first business of the meeting.

#### **4. Business continuity update**

The committee considered the report of the Head of HR, IT & Customer Services that provided an update on the council's business continuity arrangements and asked the committee to approve the revised reporting frequency of business continuity including risk management updates.

Mrs P O'Callaghan, Corporate Risk Officer, clarified that paragraph 9 of the report related to the council's *major* suppliers.

Mr S Bishop, Strategic Director, confirmed that the council's waste contractor, Verdant, was now part of Biffa. However, contractual and business continuity arrangements remained with Verdant.

The committee noted significant progress in updating the existing business continuity plans by carrying out a business impact assessment and agreed the recommendations specifying that it should receive one business continuity and risk management update per year.

#### **RESOLVED: to**

1. note the progress made in developing and improving business continuity arrangements to meet the needs of shared working between South Oxfordshire District Council and Vale of White Horse District Council and the associated revised management structure
2. consider business continuity and risk management updates once per year.

#### **5. Internal Audit annual report 2009/2010**

The committee considered the report of the Head of Finance that set out the work of Internal Audit in the year ended 31 March 2010. It advised the committee of the Audit Manager's opinion on the overall adequacy and effectiveness of the internal control environment.

In response to a question, Ms M Slater, Auditor, advised that although five audit reports remained outstanding at year-end they would soon be complete.

Ms Slater confirmed that as well as having audit reports of limited and nil assurance that came to the committee, councillors would soon be able to access all audit reports via the intranet. Councillors would be advised when they could access them.

The committee reflected on the *S106 commuted sums* audit, which the report referred to as one area demonstrating a weakness in the control environment. Internal audit had issued a draft report and awaited final responses from auditees. The committee suggested that one officer should co-ordinate all S106 arrangements on a permanent basis, which Mr S Bishop, Strategic Director, undertook to do.

Noting that one Auditor had recently left and that Internal Audit had been short of two Auditors for part of the year and that this had impacted on the team's work, the

committee further noted that there was no particular reason for staff turnover within the team.

The committee extended its thanks to Ms Slater for her efforts during the Audit Manager's maternity leave.

The committee noted the report.

## **6. Internal audit activity report 2010/2011 quarter 1**

The committee considered the report of the Head of Finance that summarised the outcomes of recent internal audit activity. The committee was asked to review the report and the main issues arising, and seek assurance that action had been or would be taken where necessary.

### **BROWN BINS 2009/10**

In relation to the brown bin audit, which illustrated a weakness in the control environment, the committee considered how the council's processes gave rise to the current arrears, suggesting that departments should sign off any new initiative via a checklist before implementation of the initiative. Mr S Bishop, Strategic Director, advised that a procedure manual had been drawn up but that all major initiatives, that were the subject of a Cabinet report, were circulated for sign off using a checklist and that any new income generating activity required authorisation by the S151 officer.

Mr D Keen, Capita, confirmed that when working with officers, flaws had been identified in the processing systems but they now worked well. Mr R Mann, Cabinet member, stated that the council was not commercially driven so billing and collecting cash had not been a priority but there had been recent improvement in performance.

Responding to a comment Ms M Slater, Auditor, advised that she would circulate the management response to section 14 of the report in relation to telephone payments. In relation to section 15 of the report, invoices, she replied that auditees did not always agree with recommendations and that auditors recognised that the auditee would sometimes be in a better position to understand the processes that should be implemented.

At the request of the committee for statistical information, Mr Bishop confirmed that once the two databases had been reconciled and cleansed then a further update on arrears could be provided. This would take about two months and once complete, officers would undertake a breakeven analysis to assess cost against income at which time a decision would be made whether to keep the processing in-house or outsource it.

In relation to section 3 of the report, automated data transfer, Mr Bishop agreed that an interface to keep two computer systems in-synch would be beneficial. However, it wasn't known whether this was technically possible and if it was, it could be cost prohibitive. Whilst the system was in-house two databases were required but if there was any possibility that the council would again face such arrears then alternative remedial action would be taken.

## CREDITORS<sup>2</sup>

In response to a question Mr D Keen, Capita, confirmed that the recommendations set out in the report had been implemented. Mr W Jacobs, Head of Finance, commented that no post existed within finance with responsibility for monitoring the creditors service because with previous contracts there had not been a need for such a role. Mr Jacobs confirmed that, in future, all audit recommendations relating to the creditors service would be monitored at the regular meeting held to discuss the debtors service.

The committee noted the report.

## **7. Internal audit management report 2010/11 quarter 1**

The committee considered the report of the Head of Finance that provided an update on management issues, summarised the progress of the Internal Audit team against the 2010/11 audit plan to 11 June 2010 and summarised the priorities and planned audit work for the remainder of quarter 2 2010/11.

The committee noted that a new Auditor would start the following Monday, replacing the Auditor who had resigned and, because of the vacancies within the team, the audit plan may not be achieved until the Audit Manager returned to her post following maternity leave. This would mean that some planned priority 3 audits would not take place and therefore any risks would not be identified. Assuming there were no further reductions in staffing levels all priority audits linked to the inflow and outflow of cash should be completed. Mr W Jacobs, Head of Finance, and Ms Slater would meet to consider how to progress audits.

The committee noted the report.

## **8. Statement of Accounts 2009/10 including the Annual Governance Statement**

The committee considered the Statement of Accounts including the Annual Governance Statement subject to final audit. Committee members had already been afforded the opportunity to ask officers questions about the accounts soon after their despatch.

### STATEMENT OF ACCOUNTS 2009/10

Mr S Hewings, Chief Accountant, explained the content of his report and circulated details of amendments to the notes within the accounts. The explanatory foreword had been expanded this year on the advice of the Audit Commission. He reported that the Audit Commission had agreed that vehicles used on the waste contract with Verdant were not for exclusive use within South Oxfordshire as the contract was a joint one with Vale of White Horse District Council.

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<sup>2</sup> This note does not form part of the minutes but is clarification of the position following the meeting. In recommendation 5, *duplicate supplier accounts*, there was an action on Capita 'to provide (a) report detailing supplier accounts that are potentially duplicates'. In the meeting Mr D Keen (Capita) reported that this action had been completed. Subsequently Mr Keen was unable to provide evidence of this. It has now been actioned.

Responding to a question, Mr Hewings confirmed that introduction of the International Financial Reporting Standards (IFRS) had brought in changes to the way the accounts were produced and would continue to do so until fully implemented and would be here to stay.

In relation to comments on the pension liability, Mr Hewings advised that the figures were provided by the actuary and that a full pension valuation was due in 2011 and would afford greater accuracy in the figures. Mr R Mann, Cabinet member, explained that the County Council, who administered the pension scheme, had a new actuary who was trying to smooth the effects of the pension deficit and was consulting with employers about how to reduce it. Mr S Bishop, Strategic Director, explained that often the employer had to make additional contributions to the scheme but in good years the employer had not needed to make a contribution. He explained that the pension scheme was a national one so the council could not act autonomously in making changes to the scheme itself but it could change what it did as an employer. The council had contributed more to the scheme when it could so that was why its contribution was currently lower than other Oxfordshire authorities.

#### ANNUAL GOVERNANCE STATEMENT

The committee considered the Annual Governance Statement asking officers to amend the wording in the paragraphs on page 84 so that it was clear that it related to South Oxfordshire District Council. In response to a question, Mrs K Fiander, Democratic Services Officer, confirmed that changes as a result of joint working with Vale of White Horse District Council would be set out in the council's Constitution. She also explained that the increase in the number of complaints against parish councils to 5 in 2009/10 from 1 in 2008/09 related to just two parish councils.

Mrs A Ockleston, Audit Manager, highlighted that whilst providing additional assurance, Audit Commission assurances did not form part of the council's governance framework and that she would liaise with officers on the appropriate wording for inclusion in the final statement.

Mr P Greene, Chairman, advised the committee that he would be responding to the Audit Commission's letter<sup>3</sup> concerning compliance with international auditing standards.

**RESOLVED:** to approve the draft statement of accounts for 2009/10, including the annual governance statement, and that the chairman sign them.

## 9. International Financial Reporting Standards

Mr S Hewings, Chief Accountant, advised that work had started on the restated balance sheet, on which he would advise in September. The asset accounting system would be purchased during the summer.

When asked what aspect of the IFRS caused greatest concern, Mr Hewings advised that it was the resourcing of it and the timescales because the budget process would commence in November. Mr W Jacobs, Head of Finance, added that there was provision in the budget for the software that would be required but there was also a

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<sup>3</sup> A copy of the Chairman's response to the Audit Commission's letter on compliance with international auditing standards is attached to these minutes.

contingency budget of £4,000 that would allow part-time team members to be offered additional hours to carry out this additional work.

The committee noted the report.

## **10. Proposed audit fee for 2010/11 (Audit Commission)**

The committee considered the Audit Commission's letter detailing the annual audit and inspection fee 2010/11.

In response to a question Mrs A Ockleston, Audit Manager, advised that the six per cent increase in the planned fee related to the extra requirements on the IFRS work but the Audit Commission would provide that as a rebate to the council.

She advised that since producing the letter, the government had decided to abolish Comprehensive Area Assessment and the scored Use of Resources. However, the Audit Commission still had to offer a value-for-money conclusion, which was supported by the Use of Resources assessment. As such it was not clear how the value-for-money conclusion would be reached until the anticipated consultation on revised proposals took place. She hoped to be able to provide an update on this and the revised fee at the September meeting of the committee.

## **11. Committee's work programme 2010/11**

The committee noted its work programme and that the Audit Commission would advise if there were any changes to its proposed reporting schedule.

The meeting closed at 7.50pm.

Chairman

Date