

Minutes



Listening Learning Leading

OF A MEETING OF THE

Audit and Corporate Governance Committee

HELD AT 6.00PM ON 30 JANUARY 2012

AT COUNCIL OFFICES, CROWMARSH GIFFORD

Present:

Mr M Welply (Chairman)

Mr D Bretherton, Mrs C Collett MBE¹, Ms K Crabbe, Mr P Cross, Mr C Quinton²

Apologies:

Mrs M Davies and Mr P Harrison tendered apologies.

Officers:

Mr S Bishop, Mr A Down, Mrs K Fiander, Mr S Hewings, Mr W Jacobs, Mr S Khan,
Mr N Parmar, Mrs A Partridge, Mrs N Thomas

Also present:

Mr D Dodds, Cabinet member for finance
Ms M Grindley, District Auditor, Audit Commission
Mr A Prickett, Principal Auditor, Audit Commission

20. Minutes, 29 September 2011

RESOLVED: to approve the minutes of the meeting held on 29 September 2011 as a correct record and to agree that the Chairman sign them as such.

21. Business continuity and risk management update

The committee considered the report of the Head of HR, IT and Customer Services that provided an update on the joint business continuity and risk management arrangements.

¹ Mrs Collett left the meeting after item 27.

² Mr Quinton left the meeting after item 27.

Mr A Down, Head of HR, IT and Customer Services, introduced the report and explained the review process. He responded to questions and comments as follows:

- The costs of the local offsite back-up of computer systems had small cost implications for the council. The council's local back-up facility was different from that of Vale of White Horse District Council.
- A regular business continuity testing schedule was in place with an IT disaster recovery exercise having taken place in the week before Christmas.
- Whilst the business continuity and risk management strategies were for the period 2009 to 2012 officers would need to update them when they were due for review so content that was relevant at the time of drafting may not be relevant any longer and would not appear in updated documents.

Committee members commented as follows:

- The report included reference to a number of risk registers which in itself may be a risk in having too many registers.
- A risk management presentation should be delivered to new members of the committee.

The committee noted the report.

22. Certification of claims and returns - annual report

Ms M Grindley, Audit Manager, Audit Commission presented her report on the certification of claims and returns stating that the position was much better than the previous year and so the fee for this work had reduced from £34,660 in 2009/10 to £23,953 in 2010/11. In terms of the housing and council tax benefits subsidy claim Ms Grindley advised that the committee should have no concern that she was unable to rely on the control environment as part of her certification of the claim, as this was not an option open to her. Whilst there was a qualification letter this was not unusual practice and was given when there were claim adjustments that necessitated estimation.

The committee noted the report.

23. Annual audit letter and final use of resources report

Ms M Grindley, Audit Manager, Audit Commission presented her report, the content of which the committee had seen in various Audit Commission reports presented throughout the year. Ms Grindley added that obtaining a clean opinion on the accounts was a good outcome bearing in mind the extensive changes resulting from the introduction of International Financial Reporting Standard (IFRS). However, she recommended that in future officers spent additional time checking the accounts before they were submitted for audit. The report also included the Audit Commission's views on matters that could present challenges in future.

In relation to complaints about councils from members of the public Ms Grindley explained that the Audit Commission would only become involved when complaints identified potential issues of lawfulness. The majority of complaints she received were not investigated. In the case of the taxi licensing complaint about the rise in license fees, the Audit Commission had had to undertake a lot of work to reach its conclusion. Mr S Bishop, Strategic Director, acknowledged that the council had learned from the complaint as a result of the way the council had submitted

information to the Audit Commission. Ultimately, the Audit Commission had found that the council's approach to fees was reasonable.

The committee discussed the fee of £24,408, which was considered high, noting Ms Grindley's explanation of the Audit Commission's work during the investigation and the fact that she had had to investigate it because it highlighted a potential issue of lawfulness. In addressing the committee's concern that the costs had escalated without the council's consent, the committee noted that the council had received a specification for the work and the Audit Commission had maintained contact with officers during the investigation.

Mr W Jacobs, Head of Finance, updated the committee on changes to benefits and business rates. The council had responded to the Department for Communities and Local Government's (DCLG) consultation on changes to business rates and had now received DCLG's update, which did not contain sufficient information to allow financial estimates of the impact on the council to be made because it was more about the processes arising from the changes. He anticipated a desk top exercise in the summer to evaluate the financial implications to the council.

Mr Jacobs advised that changes to the council tax benefits system would involve a greater amount of work as the council had to devise its own local scheme, its own processes and its own software which is a specialist area. There was concern at the short timescale for implementation as, if this was not achieved, it carried a financial risk in that the council would probably have to contribute towards the cost of any government funding shortfall.

In relation to IFRS, Mr Jacobs advised that whilst its implementation was successful, the council would need to build in time for checking the accounts prior to their submission for audit.

The committee congratulated officers for their hard work and the attention to detail that resulted in this report.

The committee noted the report.

24. Progress report

Ms M Grindley, Audit Manager, Audit Commission presented her report, which set out some issues that could affect the council in future.

In relation to the externalisation of audit practice, Ms Grindley advised that 13 potential providers had been identified to provide the service and the outcome of the exercise should be known by the end of February or early March following which staff would be TUPE'd to the successful organisation. Comment was made that it would be pleasing to see local organisations being considered in the shortlist.

The committee noted the report.

25. Internal audit activity report 2011/2012 quarter 3

The committee considered the report of the Internal Audit Manager on the outcomes of the seven planned and three follow up audits carried out during the quarter. One further report was re-presented because of a lack of progress on the

recommendations. Mrs A Partridge, Internal Audit Manager, advised that pages two to eight of the appendix should not have been included.

- **PAYROLL**

Responding to a comment Mrs A Partridge advised that, although the council relied on officers' honesty to declare that they had in place motor insurance that covered business use, auditors would undertake a sample test of those submitting mileage claims to seek confirmation that they did have such insurance.

Mr W Jacobs, Head of Finance, advised that from February Capita would take on responsibility for the entire payroll process so the recommendations arising from the audit would be resolved by the transfer of payroll to Capita. He had asked for a further audit of the payroll service in the new financial year after the transfer to Capita. In response to a question Mr Jacobs advised that Capita was taking on the payroll function at no extra cost.

Mr A Down, Head of HR, IT and Customer Services, confirmed that the consultation on the overtime policy had concluded. As it was a joint policy with Vale of White Horse District Council there was one process to go through at Vale before the councils could implement the policy. The policy was very clear on the circumstances in which an officer could claim overtime.

- **ESTABLISHMENT**

The audit had resulted in clear ownership of the establishment list and HR and Capita, once Capita had taken on payroll, would undertake reconciliation of the list.

- **PEST CONTROL**

The pest control report was re-presented to the committee because of the lack of progress on the recommendations. Mr P Staines, Head of Health and Housing was unable to attend the meeting but sent his comments to the committee via the Internal Audit Manager. Mr Staines stated that officers would prefer a joint pest control service and had identified the potential for a county-wide service. If this was to go ahead the recommendations would be implemented by 30 September 2012. If the council procured a contract with Vale of White Horse District Council then the recommendations would be implemented by the end of March 2012.

The committee noted the report.

26. Internal audit management report 2011/12 quarter 3

The committee considered the report of the Internal Audit Manager that reported on management issues, summarised the progress of the internal audit team against the 2011/12 audit plan up to 31 December 2011 and summarised the priorities and planned audit work for the remainder of quarter 4 2011/12. In her report, Mrs Partridge, Internal Audit Manager, advised that this was the most up to date position at this time of year that the team had been in since she had joined the council.

Mrs Partridge advised that, subject to confirmation of the legal and insurance positions, the council was considering providing audit services to town and parish councils.

Committee members suggested that:

- many parish councils could afford audit services so the council should do more than cover its direct costs;
- ward councillors should be informed of the trial with a parish council;
- officers should manage the expectations of other parish councils who may seek access to such service in the event that the service did not progress.

On questioning the merits of the proposal to provide audit services the committee heard that it would benefit town and parish councils that sometimes had difficulty obtaining audit services. It would also generate income for the council. The audit team was undertaking a trial with a parish council before submitting a report to management team. In response to a concern that such service could detract from the audit services provided to the district council, Mr Jacobs advised that the contracted out services would be resourced separately. Ultimately this was a trial subject to possible legal and insurance constraints and the success of the trial had to be evaluated before a decision was made to pursue it further.

The committee noted the report.

27. Internal audit strategy 2012/2013 - 2014/2015

The committee considered the report of the Internal Audit Manager that set out the internal audit strategy 2012/2013 - 2014/2015, which would enable management of internal audit in a way that would facilitate delivery of the service; the provision of an opinion each year on the council's control environment to support the annual governance statement; the auditing of systems through audit plans in a way which afforded suitable priority; the identification of audit resources required to deliver an audit service which met required professional standards and the relative allocation of resources between assurance, fraud and consultancy services.

RESOLVED: to approve the internal audit strategy 2012/2013 - 2014/2015.

28. Treasury management mid year monitoring report 2011/12

The committee considered the report of the Head of Finance that asked the committee to scrutinise the report to ensure that the treasury activities are carried out in accordance with the treasury management strategy and policy.

Mr W Jacobs, Head of Finance, advised the committee that during the current year Mr S Bishop, S.151 officer, had agreed to lend up to £20million (limit was £15million) to UK banks that have government support to take advantage of the better interest rates so earnings to date were greater than expected.

In relation to the investment in the failed Icelandic bank, Kaupthing Singer & Friedlander, the latest creditors' report indicated that the estimated amount to be

recovered should be in the range of 79p to 86p in the pound. Mr Jacobs would continue to include updates in the Weekly Information Sheet as the council received further payments.

The committee noted the report.

29. Treasury management strategy 2012/13

The committee considered the report of the Head of Finance that asked the committee to scrutinise the treasury management strategy and policy and if required to make recommendations for amendment to Cabinet. The recommended changes to the strategy were:

- a) to provide the facility to invest a further £20 million in property, either directly or via a pooled property linked fund;
- b) to allow the direct purchase of certificates of deposit;
- c) to raise the limit that can be invested in UK banks that had government support from £15 million to £20 million.

The committee noted the report.

The meeting closed at 7.20pm.

Chairman

Date