

Minutes



Listening Learning Leading

OF A MEETING OF THE

Audit and Corporate Governance Committee

HELD AT 6.00PM ON 28 SEPTEMBER 2010

AT COUNCIL OFFICES, CROWMARSH GIFFORD

Present:

Mr P Cross (Vice Chairman in the chair)
Mrs F Aska, Mr P Harrison, Ms E Hodgkin, Mr D Turner (as substitute for
Ms A Purse)

Apologies:

Mr P Greene, Mr R Peasgood, Ms A Purse

Officers:

Ms S Bayley, Mr S Bishop, Mr A Down, Mr A Duffield, Mrs K Fiander, Ms P Fox,
Mr S Hewings, Mr W Jacobs, Mrs A Robinson, Ms M Slater, Mrs N Thomas

Also present:

Mr I R Mann, Cabinet member for finance
Mrs M Grindley, District Auditor, and Mrs A Ockleston, Audit Manager, both from the
Audit Commission¹

12. Ombudsman complaint

This report was initially published at the end of the agenda as a confidential item but should have been published in the public section of the agenda. The Chairman agreed to consider this as the first item to allow Mr Olive, a member of the public, to make his address to the committee early in the evening.

Mr P Cross, acting as Chairman for the meeting advised that he would not take part in discussions on this item as he had been a member of the planning committee at the time the planning application, which was the subject of the complaint to the Ombudsman, was considered by the committee.

The committee agreed that Mr D Turner should act as Chairman for this item.

¹ Ms Grindley and Mrs Ockleston left the meeting after item 18. *Statement of accounts 2009/10 including the Annual Governance Statement.*

The committee considered the report of the Head of Planning that outlined the findings of the Local Government Ombudsman following an investigation into a complaint about the processing of a planning application. The report provided the committee with officers' assurances that systems were now in place to ensure such maladministration could not reoccur in future.

Mr J Olive, the complainant in the Ombudsman's case, addressed the committee. He commented on his unsatisfactory experiences in connection with making complaints about the manner in which the planning application was handled. He commented on the decisions of the planning case officer and, in particular, the manner in which datum levels had been dealt with by a planning condition, which he felt was wholly inappropriate. Thereafter the case officer had left the council's employment and was not held to account at which time Mr Olive believed that he was misinformed on the situation. He believed there were engrained cultural problems within the planning service without clear procedures and with interests in matters. He urged the committee to explore these issues further so that this was not a face-saving exercise.

Ms P Fox, Development Manager, presented the report acknowledging that mistakes were made in dealing with the planning application and that the council's procedures were not sufficiently robust at that time. They had since been thoroughly reviewed and changes made as set out in the report so that any such maladministration could not be repeated. Mr A Duffield, Head of Planning, stated that the council had learned from the episode and such mistakes would not happen again.

Ms P Fox, Mr A Duffield and Mrs A Robinson, Strategic Director, responded to comments and questions as follows:

- In terms of signing off the planning committee report, the case officer had not passed her report to a more senior officer for sign-off. Procedures now required committee reports to be signed off by the Development Manager or the Head of Planning. The department's procedures had been comprehensively reviewed so the errors could not happen again. Officers had talked through the procedures with the Ombudsman who recognised the council's efforts to involve the complainant once the mistakes had been identified.
- As part of the council's lean business project 'Fit for the Future', the service now had standard operating procedures in place. Any new procedures were brought to officers' attention at regular team meetings.
- The support from Human Resources in relation to the planning case officer concerned had been appropriate, in accordance with procedure, timely and followed to the letter.
- The officers presenting the report were those being held to account.
- Mrs A Robinson commented that there had been many meetings and discussions with Mr Olive that would not have been recorded, so any allegations of concealment of facts could not be refuted or proved. The objective now was to address the issues set out in the report and not to consider what might have been said, which could not be proven.
- On observation that Mr and Mrs Olive had spent a considerable sum in pursuing their complaint, Mr Duffield advised that members of the public could access advice on making complaints via the council's website. In particular, there was a link to Planning Aid, an organisation that provided independent advice on planning issues but Mr Olive chose to seek professional advice and to pursue his complaint via the Ombudsman.

- As it was difficult to give an explanation of all of the processes that had been put in place as a result of the complaint, the development management team would welcome councillors to the office to demonstrate the systems in place.

Committee members considered the suggestion that an individual was at fault but generally agreed that there was corporate responsibility including officers and members and that the committee needed to ensure that such problems would not happen in future.

In summing up, Mrs Robinson stated that the council was not happy about what had happened. In future officers had to be diligent to ensure this could not happen again and she was confident that necessary changes had been made. She acknowledged the distress to Mr and Mrs Olive and she regretted that, as did the Chief Executive who had apologised unreservedly. The council had paid the recommended compensation payment immediately after receiving the Ombudsman's letter. She formally apologised to Mr and Mrs Olive stating that the council had learned from the experience and she expected it never to happen again.

The committee noted the report.

13. Exclusion of the public

RESOLVED: to exclude members of the press and public from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 and as amended by the Local Government (Access to Information) (Variation) Order 2006 on the grounds that:

- (i) it involved 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

14. Early retirements

The committee considered the report of the Head of HR, IT & Customer Services that set out the case for agreeing an early retirement on the grounds of efficiency and asked the committee to decide whether to pay the associated costs.

The committee agreed to pay the costs, as set out in the confidential minute.

ITEMS CONSIDERED IN PUBLIC

15. Minutes, 29 June 2010

RESOLVED: to approve the minutes of the meeting held on 29 June 2010 as a correct record and to agree that the Chairman sign them.

16. Treasury management outturn 2009/10

The committee considered the report of the Head of Finance that advised councillors about the performance of the treasury management function (the management of the council's investments) for the financial year 2009/10. This complied with the requirements of the CIPFA treasury management code of practice and Treasury Management Practice 6 (TMP 6). An updated appendix 1 was circulated to the committee showing amendments to page 3.

Mr Jacobs advised that the council had received £1.1m and could expect to receive between £1.7m and £1.97m from the Icelandic bank collapse. Councillors could expect further updates via the Weekly Information Sheet.

Mrs N Thomas, Principal Technical Accountant, advised that the high interest rate earned on some corporate bonds was because investment took place between 10 to 15 years ago.

Committee members considered an invitation to attend a treasury management meeting. Instead of involvement in a detailed meeting, some committee members requested a general briefing session with officers in order to gain better understanding of the treasury management function given the committee's new role in dealing with treasury management.

Mr W Jacobs, Head of Finance, asked the committee to consider making recommendations arising from the report that officers should take into account when setting the 2011/12 treasury management strategy. There were no recommendations arising and the committee noted the report.

17. Audit Commission's Annual Governance Report

The committee considered the Audit Commission's Annual Governance Report, which summarised the findings from the 2009/10 audit.

Ms M Grindley, District Auditor, (Audit Commission) presented her report stating that there were no material changes in the accounts during audit and that she would issue an unqualified opinion. She stated that the *value for money* conclusion was based on the Use of Resources assessment on which the council met all the key lines of enquiry.

She referred to paragraphs 10 and 11 of her report that recommended the council to give consideration to clearing/writing-off the differences between the council tax systems and the general ledger before preparation of the 2010/11 accounts. Mrs A Ockleston, Audit Manager (Audit Commission), added that this was an issue of reconciliation and, as no money had actually gone missing, the Audit Commission posed the question whether it was good use of officer time to continue attempts at reconciliation. Mr S Hewings, Chief Accountant, explained that no such problems of reconciliation would occur in future and that the council had resolved many cases but it was now becoming uneconomic to attempt further reconciliation.

In response to a question, Ms Grindley stated that she had no concerns about the council's preparation for the impending International Financial Reporting Standards (IFRS). She explained that the Audit Commission had run workshops for councillors and officers and this council's Chairman had attended.

Ms Grindley responded to a further question, explaining that audit practice rules differed for district and parish councils. Whilst large balances at parish level could be questioned by auditors, at district level questions would only be asked if a situation was putting the council at risk.

The committee noted the report.

18. Statement of accounts 2009/10 including the Annual Governance Statement

The committee considered the report of the Head of Finance that asked the committee to approve the amended statement of accounts including the Annual Governance Statement and asked the Chairman to sign them. The committee had approved the draft 2009/10 financial statements at its meeting on 29 June 2010.

RESOLVED: to approve the statement of accounts for 2009/10, as amended, and agree that the Chairman sign them.

19. Internal audit activity report quarter 2 2010/11

The committee considered the report of the Head of Finance that summarised the outcomes of recent internal audit activity.

Ms M Slater, Auditor, advised that internal audit had undertaken a lot of work during the quarter. This report presented two reports of limited assurance. These were the *Proactive anti fraud 09/10* audit and the *Section 106 commuted sums 09/10* audit.

PROACTIVE ANTI FRAUD

In response to a question concerning Capita's performance on setting up suppliers on the Agresso system without completion of the appropriate form, Mr S Bishop, Strategic Director, advised that the council continually put pressure on Capita to address weaknesses via the Ridgeway Shared Services Partnership.

SECTION 106 COMMUTED SUMS

Responding to a question on anticipated changes to the Section 106 regime, Mr A Duffield, Head of Planning, advised that the new government wished to review the Community Infrastructure Levy (CIL) that recently came into effect and replace it with a different system although he had not seen details of any new system. Details were expected in November as part of the Decentralisation and Localism Bill. Councillors would be advised once details were known.

He further responded to a question on how Section 106 money was allocated, stating that the council's methodology differed slightly from that of the County Council. He stated that the council would need a comprehensive system for recording information including the allocation of money. This was endorsed by Mr I R Mann, Cabinet member for finance, who also added that the money needed to be spent within the time limits.

In relation to repayment of S106 money, Mr Duffield confirmed that planning was carrying out work to reconcile records since the 1990s. In earlier S106 agreements there was no requirement to repay S106 money. Since 1997 clauses existed that required payback but he was confident the council would not have to repay any money.

Ms Bayley, Auditor, advised that the main issue arising from her audit was ownership of the S106 process within and between departments. Adding to this Mr Duffield stated that he planned to put in place a new joint post to coordinate this work across the two councils at which there were two different systems – South Oxfordshire District Council's having greater technological interfaces than that at Vale of White Horse District Council.

Ms Slater advised that internal audit would not follow up responses from managers where they did not agree with audit recommendations. However, there would be a follow up audit on pro-active anti fraud.

Committee members commented as follows:

Parish councils found it very frustrating in knowing that there was S106 money available but could not find out how it had been spent and it was remiss of the council not to have spent £700,000 over 15 years.

The committee noted the report.

20. Internal audit management report quarter 2 2010/11

The committee considered the report of the Head of Finance that set out management issues relating to internal audit, summarised the progress of the internal audit team against the 2010/11 audit plan up to 26 August 2010 and summarised the priorities and planned audit work for the remainder of quarter 3 2010/11.

Ms M Slater, Auditor, advised that a new auditor started with the council on 5 July bringing the number of auditors up to complement: the Audit Manager's post remained unfilled during her period of maternity leave. Councillors should now be able to access all previous audit reports on the intranet.

Ms Slater brought to the committee's attention a recent alert to a potential computer system breach and the ongoing investigation.

The committee noted the report.

21. Audit Commission report on the certification of annual claims and returns: update on position

The committee considered the report of the Head of Finance that provided an update to the Audit Commission report on the certification of annual claims and returns. The committee had considered a previous report in March 2010 and agreed to receive an update on performance when progress had been made on the action plan. The report provided the update.

Mr S Bishop, Strategic Director, and Mr W Jacobs, Head of Finance, responded to comments and questions as follows:

- Contractual arrangements with Capita were such that Capita could receive a bonus or incur a penalty depending on whether performance was above or below target.

- In accord with the view of the scrutiny committee that Capita's performance was improving, Mr Jacobs agreed that accuracy was improving.

Comment was made that, whilst 50 per cent of councils received a qualified opinion in the Audit Commission's audit, 50 per cent did not. In seeking further information about performance, Mr S Bishop, Strategic Director, advised that quartile performance was no longer available so comparisons with other councils could not be made. In terms of whether adequate resourcing was available, Mr Bishop felt that resourcing could be constrained by the cost of the contract. The committee heard that the council's own resourcing was sufficient but external sources were considering whether Capita was under-resourced. Committee members heard about the complexity of each claim form. A minor error of just one of the many sections in the form could render it incorrect and affect the accuracy level. Notwithstanding this complexity there had been extensive discussions on accuracy levels with Capita.

Mr Bishop explained that the Department for Work and Pensions were still determining the 2008/09 claim and the 2009/10 claim was subject to audit. The audit should be completed by the end of November. The auditor was unable to indicate to the council whether the claim would go over the threshold. At the moment it was very close to the lower threshold. Officers were continually reminding Capita to keep accuracy to a high level to provide a tolerance level to the threshold. However, processing was moving in the right direction and should be satisfactory in coming years.

The committee noted the report.

22. International Financial Reporting Standards

Mr S Hewings, Chief Accountant, provided an update on the implications of the introduction of the International Financial Reporting Standards (IFRS).

In terms of progress since he last updated the committee in June, he confirmed:

- There had been further progress on the restated opening balance sheet. A few areas remained outstanding but he expected the work to be complete by the end of October.
- Work had commenced on the procurement process for the asset accounting system following the growth bid to purchase one.
- There was a further growth bid to extend the hours of part-time staff to provide an additional resource.

He had circulated a summary high-level timetable showing dates for completion of the restated balance sheet and 2009/10 comparators, when the committee would receive reports on the restated accounts and the expected time when external audit would review the restated balance sheet.

Comparisons had been made with other Oxfordshire councils with the finding that most were working to similar timetables, those without an asset accounting system were also looking to buy one and none had yet prepared a restated balance sheet.

As IFRS impacted he expected to bring a more tangible report to the next meeting.

The committee noted the report.

23. Review of complaints 2009/10

The committee considered the report of the Chief Executive that provided the committee with information and statistics about complaints received by the council during 2009/10.

Acknowledging that there had been a 48 per cent increase in stage one complaints, Mr S Bishop, Strategic Director, advised that further analysis of the data could be done to show where changes were occurring.

Mr I R Mann, Cabinet member for finance, advised that there had been an increase in complaints in relation to benefits but that in his meetings with the Citizens Advice Bureau, feedback had indicated that this council's processing of benefits payments was good compared to others. He suggested that councillors seek clarification about benefits complaints from Paul Howden, Shared Revenues and Benefits Manager. Mr W Jacobs, Head of Finance, advised that although complaints about benefits had increased, many complaints were not upheld.

The committee noted the report.

24. Ombudsman's letter

The committee considered the Local Government Ombudsman's annual review for the council for the year ended 31 March 2010.

In 2009/10 the Ombudsman received 14 complaints and enquiries compared with 22 in 2008/09. The complaints mostly related to planning and building control. The majority of cases (11) found no maladministration and in three other cases the Ombudsman found no, or insufficient, injustice to warrant pursuing the matter further.

In response to a question concerning case 2 in the Ombudsman's report and the comments under the heading, *Recording at the festival*, Mr Bishop, Strategic Director, advised that officers would clarify whether they believed it was appropriate and in the public interest to adopt a process to record sound levels as set out in the paragraph and whether officers had used such equipment.

The meeting closed at 8.00pm.

Chairman

Date