

## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 14 December 2009 at 6.30 pm

Present: Councillor John Donaldson (Chairman)  
Councillor Trevor Stevens (Vice-Chairman)

Councillor Ken Atack  
Councillor Simon Holland  
Councillor Devena Rae  
Councillor Barry Wood

Also Present: Nicola Jackson, Audit Manager, Audit Commission

Apologies for absence: Councillor Lawrie Stratford  
Councillor Rose Stratford

Officers: Mary Harpley, Chief Executive and Head of Paid Service  
Phil O'Dell, Chief Finance Officer  
Chris Dickens, Chief Internal Auditor  
Katherine Bennett, Audit Team Leader, PricewaterhouseCoopers  
Jeff Brawley, Benefits Investigation Manager  
Jessica Lacey, Technical Accountant  
Natasha Clark, Trainee Democratic and Scrutiny Officer

#### **36 Declarations of Interest**

There were no declarations of interest.

#### **37 Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

#### **38 Urgent Business**

There was no urgent business.

#### **39 Minutes**

The minutes of the meeting held on 26 October 2009 were agreed as a correct record and signed by the Chairman.

40 **External Audit: Annual Audit Letter**

The Committee considered a report of the Head of Finance which informed Members of the Audit Commission's draft Annual Audit Letter.

The Audit Manager presented the Draft External Audit Annual Audit Letter to the Committee which summarised the Audit Commission's findings from the 2008/09 audit. This included the opinion of the financial statements and the Use of Resources assessment under which the Council had received scores of 3 in all aspects, which had been noted by the Committee at its September 2009 meeting. The key difference between the earlier reports and the Annual Audit Letter was that it made reference to the economic downturn within the key messages.

The Committee commented that they were very pleased with the report and commended Officers for their hard work in delivering the successful outcomes delivered during the period covered. The Committee assured the Audit Manager that the Council would continue to look forward and continually seek to improve further.

In response to Members' questions, the Chief Finance Officer updated the Committee on the current situation regarding the Council's investments with the failed Icelandic bank Glitnir. The Committee was advised that the Council had recently been informed that its claim would no longer be specified as a 'priority claim', rather it would be specified as 'general unsecured'. Under the revised specification the Council would recover a significantly reduced amount of its investments than previously anticipated.

The Chief Finance Officer informed the Committee that the Local Government Association, which was representing a number of Local Authorities, including Cherwell District Council, had appealed and would be meeting with creditors imminently. The Chief Executive advised the Committee that the change of specification had been unexpected and that all Members would be updated on the current situation.

**Resolved**

- 1) That the contents of the Draft Annual Audit Letter be noted.
- 2) That the opinions of the financial statements, VFM Conclusion and Use of Resources score be noted.

41 **Changes to the Internal Audit Charter**

The Committee considered a report of the Chief Internal Auditor which presented the updated Internal Audit Charter to reflect the changed reporting arrangements that were now in place.

The Chief Internal Auditor advised the Committee that the CIPFA Code of Practice for Internal Audit in Local Government 2006 in the UK requires that the Council should formally define the purpose, authority and responsibility of

Internal Audit. The Internal Audit Charter sets out the role of Internal Audit within Cherwell District Council. The existing Charter was presented to the Accounts Audit and Risk Committee in October 2008. It had been updated to reflect the changed reporting arrangements which had been presented to the Committee's October 2009 meeting.

The updated Charter noted that the Chief Internal Auditor would report functionally to the Accounts, Audit and Risk Committee and administratively to the Head of Legal and Democratic Services. In addition, the Chief Internal Auditor would have a direct right of access to the Chief Executive and the Corporate Management Team should it be required.

The Committee was satisfied with the updated Internal Audit Charter.

### **Resolved**

- 1) That the Internal Audit Charter be approved.

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### **Internal Audit Progress report**

The Committee considered a report of the Chief Internal Auditor which summarised the progress made against the internal audit plan for 2009/2010 for the period from October to December 2009. The Committee was advised that 62% of the plan had been completed and that the remainder would be completed by the end of the financial year.

The Audit Team Leader reported that since the Accounts, Audit and Risk Committee meeting of 26 October 2009, four final reports had been issued, three reports were in draft format and fieldwork had commenced in three areas. The Committee was advised that following discussions with Senior Officers, the Internal Audit Team had made some amendments to the 2009/10 Audit Plan which would be presented to the Committee's January meeting.

In response to Members' questions about the 'moderate assurance' opinion that had been issued to 'Non Domestic Rates', the Audit Team Leader assured the Committee that each final report issued contained recommendations which were regularly monitored. Officers assured the Committee that the move to a centralised Corporate Debt Recovery Team would assist with and contribute to higher levels of debt recovery.

The Committee noted that District Councils were morally obliged to collect all taxes in their remit including non domestic rates. Members of the Committee requested that Officers provide details on the number of businesses that had outstanding arrears and provide a monthly update on collections over the next six months.

The Chief Internal Auditor advised the Committee that the draft internal audit plan 2010/2011 was currently being developed by the Internal Audit Team and would be presented to the Committee's January meeting.

## **Resolved**

- 1) That the progress of the internal audit plan 2009/2010 be noted.

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## **Sanctions Policy**

The Committee considered a report of the Benefits Investigations Manager which presented a revised Sanctions Policy to bring the Council's policy on Sanctions in line with the Department for Work and Pensions policy. The policy would introduce two small amendments which would help target the more serious abuse of the system and assist in reacting to the current recession. The policy would however remain fit for purpose following the country coming out of recession.

The Benefits Investigation Manager gave a presentation updating Members on the structure and work of the Benefits Investigation Team. The Committee was advised that the Team had a high success rate for detecting, investigating and, where appropriate, prosecuting fraudulent benefit claims.

In response to Members' questions, the Benefits Investigations Manager advised the Committee that the Benefits Investigations Team were currently working towards the new standards and followed the approach of the Department for Work and Pensions. The Committee was advised that the Benefits Investigation Team worked closely with the Corporate Debt Recovery Team which sought to recover the debt that had been identified and recommended for recovery by the Benefits Investigation team.

## **Resolved**

- 1) That the new Sanctions Policy be adopted.

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## **Verbal Updates**

The Committee received the following verbal updates:

### **a) Treasury Management Update**

The Chief Finance Officer advised the Committee that Finance staff had been working on a joint basis with Oxford City Council to finalise the tender specification for the Council's contract for treasury advice. This tender would go out in January 2010 to ensure that a new contract was in place for 1 April 2010.

### **b) Management of Risk and Insurance**

The Chief Finance Officer updated Members on the future management of risk and insurance:

#### **Management of Risk**

As part of the current review of the Extended Management Team the Chief Executive would allocate overall responsibility for Risk Management. To support this person the Council would procure up to 15 days of management support and expertise to ensure that the

Council is using risk effectively to manage performance, build capacity and develop an overall approach in line with national best practice.

The Committee noted that the routine administration of the risk register and production of the performance reports would be fully integrated into the corporate Performance Management Framework from 1 April 2010 and would be the responsibility of the Corporate and Community Planning Team.

#### **Management of Insurance**

From 1 April 2010 Finance would manage the insurance contract and provide technical advice and support to managers.

The Committee noted that the Head of Improvement would provide a further update to the Committee's January 2010 meeting. Members also noted that it would be important to agree the future arrangements for risk reports being presented to the Committee.

#### **d) International Financial Reporting Standard (IFRS) Update**

The Technical Accountant advised the Committee the preparation for the Implementation of the International Financial Reporting Standard was progressing well and had obtained a 'green' rating in an Audit Commission questionnaire on current progress.

The Working Group had held three meetings and a number of key areas had been identified for further work. The Head of Finance would lead the International Financial Reporting Standard Steering Group which would include three Committee Members. Councillors Rose Stratford and Atack had agreed to sit on the Steering Group. The Chairman agreed to seek a nomination for the third place. The Technical Accountant informed Members that the Steering Group would hold regular meetings over the next 12 – 18 months. The first meeting would be held on 20 January 2010 at 6pm – 6.30pm.

#### **e) Member Training**

The Chief Finance Officer reported that a CIPFA Better Governance Forum on 'The Effective Audit Committee' was being held in London on 20 January 2010. Members were asked to contact the Finance Team if they wished to attend the session.

The meeting ended at 8.15 pm

Chairman:

Date: