

**Committee:** Accounts, Audit and Risk Committee  
**Date:** Wednesday 15 June 2011  
**Time:** 6.30 pm  
**Venue:** Bodicote House, Bodicote, Banbury, OX15 4AA

**Membership**

**Councillor Tony Ilott (Chairman)**  
**Councillor Andrew Beere**  
**Councillor Mike Kerford-Byrnes**  
**Councillor Rose Stratford**

**Councillor Trevor Stevens (Vice-Chairman)**  
**Councillor Colin Clarke**  
**Councillor Lawrie Stratford**  
**Councillor Barry Wood**

**AGENDA**

**1. Apologies for Absence and Notification of Substitute Members**

**2. Declarations of Interest**

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

**3. Petitions and Requests to Address the Meeting**

The Chairman to report on any requests to submit petitions or to address the meeting.

**4. Urgent Business**

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

**5. Minutes (Pages 1 - 10)**

To confirm as a correct record the Minutes of the meetings of the Committees held on 14 March 2011 and 18 May 2011.

**6. Fraud Awareness (Pages 11 - 14)**

The Benefits Investigations Manager and the Council's Internal Auditors, PricewaterhouseCoopers will brief Members on the Bribery Act and Corporate fraud awareness and introduce the Council's draft Anti-Bribery Policy (attached for information).

**7. Review of Statutory Accounts 2010/11**

This is an opportunity for the Committee to scrutinise the 2010/11 Statutory Accounts in advance of the 22 June 2011 meeting of the Accounts, Audit and Risk Committee. The latest draft of the Statutory Accounts will be distributed by post to Committee Members by the Finance Team on Friday 10 June 2011.

**Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.**

## **Information about this Meeting**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) or (01295) 221589 prior to the start of the meeting.

### **Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item. The definition of personal and prejudicial interests is set out in the constitution. The Democratic Support Officer will have a copy available for inspection at all meetings.

**Personal Interest:** Members must declare the interest but may stay in the room, debate and vote on the issue.

**Prejudicial Interest:** Member must withdraw from the meeting room and should inform the Chairman accordingly.

With the exception of the some very specific circumstances, a Member with a personal interest also has a prejudicial interest if it is one which a Member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest.

## **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

### **Evacuation Procedure**

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the car park as directed by Democratic Services staff and await further instructions.

### **Access to Meetings**

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

### **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

### **Queries Regarding this Agenda**

Please contact Natasha Clark, Legal and Democratic Services [natasha.clark@cherwell-dc.gov.uk](mailto:natasha.clark@cherwell-dc.gov.uk) (01295) 221589

**Sue Smith**  
**Chief Executive**

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# Agenda Item 5

## 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 March 2011 at 6.30 pm

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

Councillor Ken Atack  
Councillor Tim Emptage  
Councillor Nicholas Mawer  
Councillor Lawrie Stratford  
Councillor Rose Stratford  
Councillor Barry Wood

Also Present: Maria Grindley, District Auditor, Audit Commission  
Nicola Jackson, Audit Manager, Audit Commission

Officers: Karen Curtin, Head of Finance  
Chris Dickens, Chief Internal Auditor  
Claire Taylor, Corporate Strategy and Performance Manager  
Jessica Lacey, Technical Accountant  
Natasha Clark, Senior Democratic and Scrutiny Officer

#### 55 **Declarations of Interest**

Members declared interest with regard to the following agenda item:

##### **8. Risk Management.**

Councillor Ken Atack, Personal, as a member of the Executive and Portfolio Holder for Performance Management, Improvement and Organisational Development who presented the item to Executive.

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

There were no petitions or requests to address the meeting.

#### 57 **Urgent Business**

There was no urgent business.

58 **Minutes**

The minutes of the meeting held on 19 January 2011 were agreed as a correct record and signed by the Chairman.

59 **Accounting Policies 2011/12 and Update on the First Time Adoption of International Financial Reporting Standards (IFRS)**

The Committee considered a report of Head of Finance which informed Members of the implications of, and progress made towards, the introduction of International Financial Reporting Standards (IFRS). It also outlined the change in accounting policies under which we prepare our annual Statement of Accounts.

The Technical Accountant reported that as the Chartered Institute of Public Finance and Accountancy (CIPFA) had now issued its guidance notes for the Code of Practice on Local Authority Accounting considerable progress had been made in ensuring that the 2010/11 Statement of Accounts was compliant with International Financial Reporting Standards. The Committee was advised that the Internal Auditors had provided some initial feedback on the Council's preparations for IFRS. External Auditors had also commenced preliminary reviews looking at IFRS restatement testing the council's system controls ahead of the end of the financial year.

The Committee was advised that 9% of the tasks on the closedown timetable had been completed and it was anticipated that a first draft of the statement would be available by 13 May 2011.

The Technical Accountant explained that in order for the Council to be able to produce its Statement of Accounts under IFRS, all of its accounting policies had been reviewed and updated or redrafted as required. The policies had been written using CIPFA and PricewaterhouseCoopers (PWC) templates and had been reviewed by the council's internal auditors. The policies were reviewed against the policies set by neighbouring local authorities and found to be similar in approach.

The Head of Finance reported that an update on progress would be circulated to members of the IFRS Steering Group. A meeting of the Steering Group was scheduled for May following which the Group would submit a brief report to the June meeting of the Accounts, Audit and Risk Committee alongside the Statement of Accounts 2010/11.

**Resolved**

- (1) That the content of the report and the progress on re-stating 2009/10 accounts under IFRS and the closedown process for 2010/11 accounts be noted.
- (2) That the new accounting policies be approved.

60 **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 2010/11 for the period from January to March 2011. The Committee was advised that 83% of the plan had been completed and that the majority would be completed by the end of the financial year. The Chief Internal Auditor advised Members that officers had requested that some IT work be rolled over into the 2011/12 plan. He assured the Committee that this would not affect the Internal Auditors Annual Audit Opinion.

The Chief Internal Auditor reported that since the Committee's January meeting five final reports had been issued and draft reports had been issued and/or fieldwork commenced in eight areas. In addition, work was being performed on an ongoing basis on the Council's preparations for International Financial Reporting Standards (IFRS).

The Chief Internal Auditor advised the Committee that he would be liaising with the Council's Governance group in relation to their outputs for the year end Annual Governance Statement. It was anticipated that the Internal Audit Annual Report would be submitted to the Committee's June meeting.

**Resolved**

- (1) That the Internal Audit progress report be noted.

61 **Risk Management**

The Committee considered a report of the Corporate Strategy and Performance Manager which updated Members on the management of Strategic, Corporate and Partnership Risks and provided an overview of changes to the risk register for 2011/12.

The Corporate Strategy and Performance Manager advised Members that In advance of 2010/11 the Council undertook a fundamental review of its risks and the reporting requirements which provided the opportunity to consider the underlying principles of the overall approach to managing risk. The review also resulted in a streamlined set of core strategic, corporate and partnership risks and the requirement that operational risks be monitored at the service level. These core risks were now monitored on a monthly basis.

In April 2010 the Council established a high level strategic risk register which integrated performance and risk reporting using Performance Plus, the Council's corporate performance management system. The Corporate Strategy and Performance Manager explained that risks were reviewed monthly and monitored by the Corporate Management Team. There is effective oversight by members through the Executive and the Accounts Audit and Risk Committee.

Members of the Committee commented that it was useful to receive regular updates. They noted that the role of the Committee was to be assured that officers were addressing risks and taking action as appropriate rather than

manage risk. They requested that future reports highlight any action being taken and also include an update on risks associated with the shared management arrangements with South Northamptonshire Council.

### **Resolved**

- (1) That the additions to the Risk Register for 2011/12 be agreed and the Extended Management Team risk review be noted.
- (2) That the quarter 3 Strategic, Corporate and Partnership Risk Register be noted.
- (3) That the proposed reporting timetable to the Executive and the Accounts Audit and Risk Committee 2011/2012 be agreed.

## **62 Certification of Grant Claims and Returns 2009/10 - Audit Commission**

The Committee considered a report of the Head of Finance presented the Certificate of Claims and Returns Report 2009/10 produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council.

The Audit Manager reported that in 2009/10 the external audit team certified four claims or returns with a total value of £102.6m. A limited review of two claims and a full review of two claims was performed. Of the 2 limited reviews, the Disabled Facilities claim required no amendments but the Pooling of Housing Capital Receipts required minor amendments. The Council was in communication with the Department for Communities and Local Government to make the amendments and would update the Committee at the June 2011 meeting.

The Committee was advised that as a result of the outsourcing of the Revenue and Benefits processing to Capita the Audit Commission required assurance over the quality of their work. Additional testing was required on the National Non Domestic Return. The outcome of this testing was positive as no errors or amendments were required.

The Audit Manager explained that due to the value, the Housing Benefit and Council Tax Benefit Claim required full certification. This claim was subject to a number of adjustments and the Audit Commission issued 2 recommendations requiring improvements relating to the Housing Benefit and Council Tax Benefit Claim to ensure that 2010/11 claim was not qualified. The Head of Finance had developed an action plan with the Audit Commission and together with the council's partner Capita would ensure that both recommendations were implemented. The Head of Finance would inform the Committee of progress against the action plan.

The Committee noted that the number of recommendations in 2010/11 represented a 50% reduction to the 2008/09 claim when 4 recommendations were issued.



**Resolved**

- (1) That the contents of the Audit Commission Certification of Claims and Returns - Annual Report be noted.
- (2) That the agreed Action Plan in response to the Audit Commission Report be noted.

63 **External Audit Progress Report**

The Committee considered a report of the Head of Finance which presented the External Audit Progress Report for Cherwell District Council. The Audit Manager explained that report detailed the work already undertaken and to be undertaken by the Audit Commission as part of the 2010/11 audit. Members agreed that it was very useful for the information to be presented in this format and requested it be updated and submitted to the Committee as appropriate.

**Resolved**

- (1) That the External Audit Progress Report be noted.

64 **Internal Audit Final Plan 2011/12**

The Committee considered a report of the Chief Internal Auditor which presented the final version of the 2011/12 Internal Audit Risk Assessment and Plan. The Plan outlined the Internal Auditors proposed audit work for the year based on an analysis of the key risks facing Cherwell District Council. The Plan was based on the Internal Auditors' Strategic Plan for 2009-12 and had been updated following consultation with Members and Officers. The 2011/12 Internal Audit Risk Assessment and Plan had been endorsed by the Corporate Management Team.

The Chief Internal Auditor explained that the 2011/12 Internal Audit Risk Assessment and Plan was presented in a new format based on PricewaterhouseCooper's global internal audit standard. The Plan identified auditable units within the Council based on a full risk assessment which included the length of time since audit work was last undertaken in each area.

The Chief Internal Auditor advised Members that the number of audit days had been decreased to reflect the needs of the Council to make efficiency savings however he was satisfied that the reduction would not affect his ability to provide an assurance opinion. The Internal Audit Plan and indicative timetable would remain flexible to any issues that may arise and the Committee would be advised accordingly.

**Resolved**

- (1) That the Internal Audit Plan 2011/12 be approved.

## **2011/12 Treasury Management Strategy and Treasury Management Practices**

The Committee considered a report of the Head of Finance which detailed the actual return on investments for the period from 1 April 2010 to 28 February 2011. It detailed the counterparties that had been used for investments and considered compliance with the investment strategy. The report also provided a review of the 2011/12 draft strategy and Treasury Management Practices.

The Head of Finance reminded Members that as part of the Council's Investment Strategy the Committee had responsibility for considering the investment performance to date and the Council's compliance with counterparties being used. The Committee was advised that the 2010/11 estimated projections as at 28 February 2011 showed an expected investment income of £1.254m which was an extra £18.5k over budget. All investments were compliant with the strategy.

The Head of Finance explained that the 2010/11 Annual Report on Treasury Management would be presented to the Executive in June 2011 along with the Revenue and Capital Outturn reports. This report would give full information on the performance of the Council's fund managers and in-house operation.

The Head of Finance advised the Committee that the 2011/12 Treasury Management Strategy had been endorsed by the Executive at its meeting on 7 March and recommended to Council for approval.

The Head of Finance updated Members on the updated Members on the current situation regarding the Council's investments with the failed Icelandic bank Glitnir. Cherwell District Council was one of 123 local authorities that had been affected by the collapse of Icelandic banking institutions. As CDC had not been given preferential status, it would therefore potentially only recover 29% of the £6.5m investment balance. The Council was currently in a legal process to ensure 100% of the deposits were returned.

Local authorities' objections would now be considered under the processes followed under Icelandic insolvency law, and written submissions were filed in September 2010. Glitnir test cases, including CDC, were heard on 11 March 2011. The Head of Finance explained that it was too early to pre-judge the outcome of the trial and advised that any other action CDC or the other parties might take could not be speculated upon. Regular updates on the recovery process would be provided to Members.

In response to Members' questions, the Head of Finance explained that in April 2010 the Executive had agreed to pursue the legal proceedings in order to recover the financial deposits and funding for the legal action. At present the cost of the proceedings was within the parameters agreed by the Executive, however it was anticipated that should there be an appeal additional funding may be required. The Head of Finance advised Members that a report would be submitted to the Executive in May to request approval for additional funds. The Committee noted that the cost of the legal proceedings was significantly less as the Council had been working with the

Local Government Association whose legal advisors were representing a number of local authorities rather than independently.

**Resolved**

- (1) That the contents of the report and treasury performance to date be noted.
- (2) That the draft 2011/12 Treasury Management Strategy and treasury management practices be noted.

66 **Accounts, Audit and Risk Committee Work Programme 2011/12**

The Committee considered a report of Head of Finance which presented the proposed Accounts, Audit and Risk Committee work programme for 2011/12.

**Resolved**

- (1) That the Accounts, Audit and Risk Committee work programme 2011/12 be approved.

67 **Verbal Updates**

**a) Consultation responses re. Accounts and Audit Regulations 2011**

The Head of Finance circulated the response that had been sent by Cherwell District Council to the Department for Communities and Local Government on the Revision and consolidation of the Accounts and Audit Regulations 2008 (SI 2003 No 533) as amended.

The Regulations include provisions on financial management, the form of the annual published accounts, and procedures connected with the approval and publication of the annual accounts and the conduct of the audit. The Consultation invited views on the draft consolidation of the Accounts and Audit Regulations 2003 and four amending instruments, and incorporation of a series of technical amendments. The draft also restructured the regulations with the aim of making them easier to follow.

**b) Purchase Order Policy**

The Technical Accountant updated the Committee on the development of a Purchase Order Policy. This issue had been raised by the Internal Auditors who had identified a high risk relating to inconsistency in raising purchase orders before invoices were paid. The Committee was advised that mandatory training on the importance of raising purchase orders had been given to relevant officers. The training had received positive feedback and identified areas that could be addressed to ensure compliance. The Committee noted that the issue had been added to the performance matrix considered quarterly by the Finance Scrutiny Working Group and was also monitored by the Corporate Management Team.

**c) Corporate Governance Panel 2011/12**

The Head of Finance provided a verbal update on the Corporate Governance Panel. She reminded the Committee that the Corporate Governance Panel reviews the draft Annual Governance Statement which eventually forms part of the Statement of Accounts which the Committee would consider in June 2011. The draft Annual Governance Statement would be available in late April 2011 and a meeting of the Corporate Governance Panel will be arranged at a time convenient to the Members involved.

**Resolved**

- (1) That Councillors Atack and Lawrie Stratford be confirmed as the two Accounts, Audit and Risk representatives of the Corporate Governance Panel for 2011/11.

68 **Exclusion of the Press and Public**

That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.

69 **2011/12 Treasury Management Strategy and Treasury Management Practices - Exempt Appendix 3**

The Committee considered the exempt annex to the report of the Head of Finance updating Members on Treasury Management Performance, which listed the investments that Cherwell District Council had across all funds at 28 February 2011.

**Resolved**

- (1) That the exempt annex be noted.

The meeting ended at 8.40 pm

Chairman:

Date:

## 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 18 May 2011 at 7.40pm

Present: Councillor Tony Ilott (Chairman)  
Councillor Trevor Stevens (Vice-Chairman)

Councillor Andrew Beere  
Councillor Colin Clarke  
Councillor Mike Kerford-Byrnes  
Councillor Lawrie Stratford  
Councillor Rose Stratford  
Councillor Barry Wood

#### 1 **Appointment of Chairman**

**Resolved** that Councillor Tony Ilott be elected Chairman of the Accounts, Audit and Risk Committee for the 2011/12 Council year.

#### 2 **Appointment of Vice-Chairman**

**Resolved** that Councillor Trevor Stevens be elected Vice-Chairman of the Accounts, Audit and Risk Committee for the 2011/12 Council year.

The meeting ended at 7.45 pm

Chairman:

Date:

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## Cherwell District Council's Anti-Bribery Policy

### Introduction

As a Local Authority working for the benefit of the local community by providing a wide range of services, Cherwell District Council sees its reputation for fairness, ethical behaviour and financial probity as paramount. To that end, it forbids any member of staff engaging in bribery. Bribery is defined as:-

*the offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties.*

The Bribery Act 2010 gained Royal assent on 08/04/10 and creates a corporate offence of failure to prevent bribery, and requires the Council to implement adequate procedures to prevent bribery. Ministry of Justice Guidance in relation to the Bribery Act has been delayed and the Act itself is not going to be implemented until three months after the final guidance is available. It is anticipated that the Act will come into force from 1/04/11.

The Council recognises that any member of staff that engages in bribery will reflect adversely on the image and reputation of the Council and public sector in general. The aim therefore is to limit the Council's risk of exposure to bribery by:

- Publishing a clear anti-bribery policy and reviewing other associated policies in existence;
- Training all staff so that they can recognise and avoid the use of bribery by themselves and others;
- Ensuring that all business partner's of the Council are aware of the anti-bribery policy and that their staff must abide by it;
- Encouraging our employees to be vigilant and to report any suspicion of bribery;
- Ensuring that our policies and control systems are subject to regular audit, to provide assurance that they are fit for purpose;
- Addressing conflicts of interests and the risks created by gifts and hospitality through the application of our corporate policies;
- Investigating instances of alleged bribery and assisting the police and other appropriate enforcement agencies in any resultant action; and
- Taking the appropriate action, as laid out in Law and other Council policies, against any member of staff, who engages in bribery

## **The Council's Policy statement**

Cherwell District Council forbids the offering, the giving, the solicitation or the acceptance of any bribe, whether in cash or by way of any other type of inducement, to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, agent or other person or body acting on the Group's behalf in order to gain any commercial, contractual or regulatory advantage for the Group in a way which is unethical or in order to gain any personal advantage, financial or otherwise, for the individual, the Council or anyone connected with the individual.

Staff members are forbidden from accepting any inducement which would result in a gain or advantage to the briber or any person(s) or third parties associated with them. The inducement being intended to influence the member of staff to take any action, which may not be in the interests of the Council. Any staff member found to be involved in bribery is liable to disciplinary action, dismissal and prosecution.

The Council is entitled to terminate the contract forthwith and to recover from the supplier the amount of any loss resulting from such termination if:-

- (a) the supplier or any employee of the supplier shall have offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or not doing or for having done or not done any act in relation to the contract or
- (b) the like acts shall have been done by any person employed by the supplier or acting on his behalf (whether with or without the knowledge of the supplier) or
- (c) in relation to the contract the supplier or any person employed by the supplier has committed any offence under the Bribery Act 2010 or shall have given any fee or reward for the receipt of which is an offence under Section 117(2) of the Local Government Act 1972.

## **Hospitality**

Cherwell District Council has two codes which govern the acceptance of gifts and hospitality; they are the Gifts & Hospitality Code and the Employee Code of Conduct. Both of these codes give clear guidance on the standards of conduct expected by Cherwell District Council employees in relation to general conduct and specifically when offered gifts and/or hospitality. If anyone is in doubt as to whether a potential act or gift constitutes bribery, they should consult with their line manager about it, or seek advice from either The Head of Internal Audit or The Benefits Investigation Manager. (See appendix A for contact details)



## **Employee Responsibility**

Every member of Cherwell District Council's staff is responsible for the prevention and reporting of bribery throughout the Council. This includes any company or individual that the Council does business with. Any suspicion of bribery must be reported and this can be done confidentially on the Fraud Hotline number 0800 716152. If any member of staff has any queries they can contact either The Head of Internal Audit or the Benefits Investigation Manager, whose details can be found on the intranet.

## **Council Responsibility**

The Council's s.151 Officer is ultimately responsible for the Council's anti-bribery and anti-fraud efforts, and shall report adherence to this policy, at least annually, to the Corporate Management Team. The Benefits Investigation Manager and Training Manager are responsible for delivering and maintaining anti-bribery training and maintaining the anti-bribery culture at Cherwell District Council. Audit(PWC) are responsible for assessing compliance with this policy, whilst Line Managers are responsible for implementing this policy within their teams.

## **Appendix A**

Contact details for officers involved in the application of this policy and investigation of suspected bribery offences:-

### **Karen Curtin – Head of Finance/ Section 151 Officer**

Cherwell District Council

E-mail: [Karen.Curtin@cherwell-dc.gov.uk](mailto:Karen.Curtin@cherwell-dc.gov.uk)

Direct dial: 01295 221551

### **Chris Dickens – Chief Internal Auditor**

Price Waterhouse Cooper

E-mail: [chris.dickens@uk.pwc.com](mailto:chris.dickens@uk.pwc.com)

Direct dial: 01509 604041|

Mobile:07720427215

### **Jeff Brawley ACFM**

Cherwell District Council

Benefits Investigations Manager

E-mail: [Jeff.Brawley@cherwell-dc.gov.uk](mailto:Jeff.Brawley@cherwell-dc.gov.uk)

GCSX: [Jeff.Brawley@cherwell-dc.gscx.gov.uk](mailto:Jeff.Brawley@cherwell-dc.gscx.gov.uk)

Direct Dial: 01295 221978

*Draft version 1 – 14/02/10 – Jeff Brawley*

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