

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 27 June 2012 at 6.30 pm

Present: Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)

Councillor Andrew Fulljames
Councillor Barry Wood

Substitute Members: Councillor Patrick Cartledge (is substitute for Councillor Andrew Beere)

Also Present: Councillor Ken Atack, Lead Member for Financial Management

Apologies for absence: Councillor Andrew Beere
Councillor Colin Clarke
Councillor Lawrie Stratford
Councillor Rose Stratford

Officers: Martin Henry, Director of Resources / Section 151 Officer
Karen Curtin, Head of Finance and Procurement
Chris Dickens, Chief Internal Auditor
Nicola Jackson, Audit Manager, Audit Commission
Edward Cooke, Interim Technical Accountant
Gavin Lane, Democratic and Elections Officer

1 Declarations of Interest

There were no declarations of interest.

2 Petitions and Requests to Address the Meeting

There were no petitions or requests to address the meeting.

3 Urgent Business

There was no urgent business.

4 Minutes

The minutes of the meeting of the Committee held on 19 March 2012 and 16 May 2012 were agreed as correct records and signed by the Chairman.

5 **Statement of Accounts Approval**

The Committee considered a report of the Head of Finance and Procurement which sought agreement of the Statement of Accounts 2011 – 12.

The Head of Finance and Procurement reported that the informal review meeting on 20 June 2012 raised a total of twenty-two questions and that all of the editorial changes proposed, including signage and brackets, had been made.

Resolved

- (1) That the report be noted.
- (2) That the outcomes from the informal review meeting on 20 June 2012 be noted.
- (3) That it be agreed that the “subject to audit” Statement of Accounts approval sign-off be delegated to the Chief Financial Officer for signing on, or before, the statutory deadline of 30 June 2012.

6 **Annual Governance Statement 2011/12**

The Committee considered a report of the Head of Finance and Procurement which sought approval of the Annual Governance Statement 2011 – 12.

The Committee was advised that the final draft had been circulated on 26 June 2012 and had been signed by the Chief Executive and Leader of the Council.

Resolved

- (1) That the Annual Governance Statement 2011/12 be approved, subject to audit.

7 **Treasury Management Report**

The Committee considered a report of the Head of Finance and Procurement on the Council’s treasury management performance and compliance with the treasury management policy for the first quarter of 2012 – 13.

The Head of Finance and Procurement stated that the Council had invested £10.5 million and £11.7 million with fund managers Tradition UK and Investec respectively and that a further £51 million was managed in-house.

The Committee was informed that the Council regularly reviewed its banking and investment arrangements and that a report would be presented to the next meeting of the Committee that outlined the current options available.

The Committee was advised that despite recent problems regarding a widespread computer failure at the Council's bank, Natwest, all Council staff received their pay as expected during June 2012.

The Head of Finance and Procurement stated that a report on the Investment Strategy 2012 – 13 would be presented to Full Council in October 2012 and that consequently it would not be considered by the Committee in September 2012.

The Head of Finance and Procurement reported that a report on the Council's investment in Investec would be circulated to the Committee, in addition to a statement on the position at May and June 2012 during the first quarter.

Resolved

- (1) That the contents of the report be noted.
- (2) That it be noted that a report would be presented to the next meeting of the Committee that outlined the current options available to the Council in relation to its banking and investment arrangements.
- (3) That it be noted that a report on the Council's investment in Investec would be circulated to the Committee, in addition to a statement on the position at May and June 2012 during the first quarter.

8 External Audit Progress Report

The Committee considered a report of the Head of Finance and Procurement on the progress of the work undertaken by external audit.

The Committee was advised that a certification exercise regarding benefits claims processed by the Council had concluded that the level of errors identified from the sample testing pushed the Council over the acceptable level of errors expected of a Local Authority.

It was reported that following the certification exercise, further detailed work on 'start dates' and 'employment earnings' was completed and an updated Qualification Letter was presented to the Department for Work and Pensions on 22 May 2012. The letter demonstrated an improved performance by the Council which was now below the upper threshold for local authority errors.

The Committee was informed that the number of these errors was higher than average during 2010 – 11 as a consequence of the transfer to Capita and the fact that claims for housing benefit peaked during the period. Clerical errors could compromise the accuracy of the Council's figures and officers managed Capita in order to ensure that the level of errors remained as low as possible.

It was reported that the Secretary of State would confirm the Council's revised repayment rate in relation to local authority errors in due course.

The Head of Finance and Procurement stated that a report would be presented to the next meeting of the Committee on the level of housing

benefit errors made, including the ratio of errors to the total number of transactions.

Resolved

- (1) That the contents of the progress report be noted.
- (2) That it be noted that a report would be presented to the next meeting of the Committee on the level of housing benefit errors made, including the ratio of errors to the total number of transactions.

9 Internal Audit Annual Report

The Committee considered a report by the Head of Finance and Procurement on the Chief Internal Auditor's annual opinion on the adequacy and effectiveness of the Council's system of internal control.

The Committee was informed that the programme of internal audit work for the year until 31 March 2012 had been completed, with the exception of the planned Joint Member workshop. The work of internal audit had identified 22 low, 19 moderate and 1 high-rated risks that could prevent the Council from achieving its objectives. It was reported that improvements were required in these areas to enhance the efficacy of risk management by the Council.

It was reported that the high-risk issue pertained to the fact that no purchase orders were in place for 84% of invoices received by the Council in year.

The Head of Finance and Procurement stated that this high-risk issue had been addressed within the Council's Annual Governance Statement.

The Committee was advised that the number of internal audit findings and recommendations had reduced considerably with a total number of 42 findings in 2011 – 12, compared to a total of 98 findings in the previous year.

Resolved

- (1) That the Internal Audit Annual Report be approved.

10 Internal Audit Progress Report

The Committee considered a report by the Chief Internal Auditor on the progress of the work undertaken by internal audit.

The Committee was advised that a low-risk rating had been issued regarding the Council's IT firewall as a consequence of significant improvements to previously identified issues and the introduction of new robust controls.

The Head of Finance and Procurement stated that improvements to the IT firewall had been reported within the Council's Annual Governance Statement and that a report would be presented at the next meeting of the Committee.

The Chief Internal Auditor reported that, at a national level, Local Authorities had successfully delivered against an ambitious programme of savings during the last financial year without any perceived reduction in the quality of frontline services, although there was notable nervousness regarding further financial pressures beyond the current spending review period.

Resolved

- (1) That the Internal Audit Progress Report be approved.

11 **Subsidy Update**

The Head of Finance and Procurement reported that a full report would be presented to the next meeting of the Committee.

12 **Risk Management**

The Head of Finance and Procurement reported that a full report would be presented to the next meeting of the Committee.

13 **Exclusion of the Press and Public**

Resolved

That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting to enable consideration of Appendices 1a and 1b of the following item on the grounds that, if the public were present, it would be likely that exempt information falling under provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them and that, in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14 **Treasury Management Report - Exempt Appendices 1a and 1b**

The Committee considered the exempt annexes to the Report of the Head of Finance and Procurement which updated Members on the Council's investments and counterparties at 30 April 2012.

Resolved

- (1) That the exempt appendices be noted.

The meeting ended at 7.39 am

Chairman:

Date: