

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 20 January 2016 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)

Councillor Andrew Beere
Councillor Ray Jelf
Councillor Barry Richards

Substitute Members: Councillor Ken Atack (In place of Councillor Colin Clarke)
Councillor Tony Ilott (In place of Councillor Lawrie Stratford)
Councillor Lynn Pratt (In place of Councillor Nicholas Mawer)
Councillor Barry Wood (In place of Councillor Rose Stratford)

Also Present: Councillor Sean Woodcock, Leader of the Labour Group
Neil Harris, External Audit, Ernst Young, for agenda item 7
Ed Cooke, Internal Audit, PwC, for agenda item 8
John Cornett, Director, KPMG, for agenda item 13

Apologies for absence: Councillor Rose Stratford
Councillor Colin Clarke
Councillor Nicholas Mawer
Councillor Lawrie Stratford

Officers: Sue Smith, Chief Executive
Paul Sutton, Head of Finance and Procurement
Chris Dickens, Chief Internal Auditor
James Doble, Democratic and Elections Manager
Belinda Green, Benefits Manager, for agenda item 9
Natasha Clark, Team Leader, Democratic and Elections

51 **Declarations of Interest**

10. Draft Treasury Management Strategy 2016/17.

Sue Smith, Declaration, as a Director of Graven Hill Village Holdings Limited and Graven Hill Village Development Company Limited.

52 **Petitions and Requests to Address the Meeting**

The Chairman advised the Committee that the Council's Monitoring Officer, Kevin Lane, had requested to address the Committee on agenda item 13, Review by KPMG of NNDR Overpayment.

53 **Urgent Business**

There were no items of urgent business.

54 **Minutes**

The minutes of the meeting of the Committee held on 2 December 2015 were agreed as a correct record, subject to the following amendment:

Officers in attendance: Delete Chris Dickens and replace with Ed Cooke

The minutes of the Special Meeting held on 15 December 2015 were agreed as a correct record and signed by the Chairman.

55 **Chairman's Announcements**

The Chairman made the following announcements

1. The filming and broadcasting of the meeting was permitted, subject to the efficient running of the meeting not being affected.

56 **External Audit Verbal update**

Neil Harris Executive Director, Government & Public Sector, UK&I Assurance, Ernst Young and Engagement Partner to Cherwell District Council, introduced himself to the Committee and advised that he was replacing Mick West, who had now retired.

The Committee was informed that the Head of Finance and Procurement and Ernst Young would be meeting to prepare the Annual Audit Plan for presentation to the Council at the next meeting date.

Resolved

- (1) That the verbal update be noted.

57 **Internal Audit Progress Report**

The Committee considered a report of the Head of Finance & Procurement which presented the PwC Internal Audit Progress Report which summarised their internal audit work to date.

Resolved

- (1) That the internal audit progress report be noted.

58 **Corporate Fraud Quarterly Update**

The Committee considered a report of the Head of Finance and Procurement which provided an update on the joint Corporate Fraud team including progress made on the team's business plan for 2015-2016.

In introducing the report, the Welfare and Debt Advice Manager advised the Committee that an experienced temporary Senior Investigator had been recruited to provide maternity leave cover for the Senior Corporate Fraud Investigator and would attend the next meeting to meet Members.

The Welfare and Debt Advice Manager advised the Committee that a review of all the policies underpinning the work of the Corporate Fraud Team was underway. The Counter Fraud Policy, Anti-Fraud and Corruption Strategy, Prosecutions and Sanctions Policy and Whistleblowing Policy had been reviewed. The remainder of the policies would be reviewed in quarter four and submitted to the Committee's March meeting.

Resolved

- (1) That the corporate fraud quarterly update report be noted.

59 **Draft Treasury Management Strategy 2016/17**

The Head of Finance and Procurement submitted a report which sought consideration of the draft Treasury Management Strategy Statement for 2016/17. The Strategy would be submitted to Full Council on 22 February 2016 for consideration alongside the 2016/17 budget.

Resolved

- (1) That the draft Treasury Management Strategy 2016/17 be noted.

60 **Review of Work Programme 2015-16**

The Committee considered its Work Programme 2015-16.

Resolved

- (1) That the work programme be noted.

61 **Exclusion of the Press and Public**

Resolved

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 paragraphs 1, 2 and 3 of Schedule 12A of that Act.

(With the exception of the Chief Executive, the Head of Finance and Procurement, the Democratic and Elections Manager and the Democratic and Elections Team Leader, all officers and the Internal and External Auditors left the meeting)

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Review by KPMG of NNDR Overpayment

The Chief Executive submitted an exempt report to enable Members to consider the final proposed report from KPMG in light of the submissions received since the last meeting and to agree the management response to the report setting out a proposed course of action in light of the conclusions and recommendations.

The Chief Executive introduced John Cornett, Director, KPMG, who had led the independent review into the NNDR overpayment.

The Head of Finance and Procurement gave an update on the current position with regards to the council's discussions with the Department for Communities and Local Government (DCLG) regarding the claim.

The Deputy Monitoring Officer advised Members that a meeting of the Account, Audit and Risk Committee would be arranged to make any decision.

Members asked a number of questions regarding the claim, to which the Head of Finance and Procurement duly responded.

The Head of Finance and Procurement then left the meeting.

In presenting the final report of KPMG of the NNDR Overpayment, John Cornett (KPMG) advised Members that after the special meeting of the Committee on 15 December 2015, the report had been circulated to relevant officers and stakeholders. Relevant comments from officers had been included in the final report before the Committee. Additionally, a discussion had been held with External Audit and their comments would be added to the report. Mr Cornett confirmed that whilst changes had been made to the report, the comments had provided clarity and there had been no change to the conclusions of the report and only one minor change to one of the recommendations.

With regards to the management response, Mr Cornett advised the Committee that it was a strong and robust response which demonstrated that the matter was being taken very seriously by the council. There were clear actions with an effective means of monitoring.

The Monitoring Officer joined the meeting and addressed the Committee, after which he left the meeting.

The Chief Executive assured the Committee that all actions set out in the management response would be completed. The Chief Executive also provided the Committee with an update on meetings she had held with various parties regarding the matter.

In considering the report, it was expressed by some members that the incident had given them cause for concern and adversely affected their confidence. The Committee agreed that Chief Executive should be requested to reflect on the comments of the Accounts, Audit and Risk Committee and discuss any future action with the Leader.

Resolved

- (1) That the amended final proposed report from KPMG be noted.
- (2) That the representations received from the Monitoring Officer, Section 151 Officer and those who were interviewed and the External Auditor (EY) as reported by the Chief Executive and KPMG be noted.
- (3) That the final report be adopted and authority for the final detailed wording of the report be delegated to the Chief Executive, in consultation with the Chairman of the Accounts, Audit & Risk Committee, Councillor Richards and Councillor Wood.
- (4) That the proposed management response to the report be endorsed and adopted.
- (5) That the Chief Executive be requested to circulate the full final report and agreed management response to all those that were interviewed, External Auditor (EY) and Internal Auditor (PWC) on a confidential basis and to take action as appropriate to implement the management response.
- (6) That monitoring of the implementation of the Finance action and improvement plan arising from the report as set out in the management response be added to the committee work programme.
- (7) That the Chief Executive be requested to reflect on the comments of the Accounts, Audit and Risk Committee and discuss any future action with the Leader.
- (8) That the Chief Executive be authorised to release the KPMG report, on a confidential basis, to the South Northamptonshire Council Leader and Audit Committee.

The meeting ended at 9.06 pm

Chairman:

Date: