

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 5 December 2012 at 6.30 pm

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

Councillor Andrew Beere
Councillor Colin Clarke
Councillor Lawrie Stratford
Councillor Rose Stratford

Apologies for absence: Councillor Andrew Fulljames □ Councillor Barry Wood

Officers: Chris Dickens, Chief Internal Auditor
Karen Curtin, Head of Finance and Procurement
Jo Pitman, Head of Transformation
Nicola Jackson, Corporate Finance Manager
Shirley Vaughan, Performance and Planning Officer
Jeff Brawley, Investigations Manager
Gavin Lane, Democratic and Elections Officer

29 Declarations of Interest

There were no declarations of interest.

30 Minutes

The Minutes of the meeting of the Committee held on 19 September 2012 were agreed as a correct record and signed by the Chairman, subject to the inclusion of 'Chris Dickens' amongst the list of those 'Also Present' and the amendment of 'Charlotte Blisworth' to read 'Charlottle Blisland'.

31 Petitions and Requests to Address the Meeting

There were no petitions or requests at the meeting.

32 Urgent Business

There was no urgent business.

33 **External Audit Progress Update**

The Committee considered a progress report on the external audit process by Maria Grindley on behalf of Ernst and Young, the Council's external auditor.

It was reported that the Council's external audit service had been transferred from the Audit Commission to Ernst and Young on 1 November 2012. The Committee was assured that the team at Ernst and Young had the strength and depth of staff needed to provide a robust external audit service.

The Committee was introduced to Mr Alistair Rankin, who had been appointed Audit Manager for external audit purposes and would lead the process in future.

It was reported that the External Audit Plan would be presented to the Committee in due course.

Resolved

(1) That the report be noted.

34 **Internal Audit Progress Report**

The Committee considered a report by the Chief Internal Auditor on the work undertaken by Internal Audit since its last meeting.

The Committee heard that 70 audit days out of a planned 160 (44%) were completed and it was anticipated the plan would be completed ahead of the year end. One final report had been issued and draft reports on eight areas had been issued and/or fieldwork completed.

In order to ensure that the audit plan remained fit for purpose, the Committee heard that the scope of the Fraud Risk Assessment Review had been widened to include the use of electronic signatures and rubber stamps. To reflect this wider remit, the review had been renamed the 'Signature Audit'. The findings of the review would be reported at the next meeting.

The Committee heard that the Collection Fund audit had been given a medium risk rating for 2012-13, but that there had been an increase in the number of issues noted since the 2011-12 internal audit report. Many of these related to unresolved issues from the previous year, including a lack of documentary evidence that controls had been carried out and that a number of control procedures had not been formalised and were undertaken sporadically.

The Chief Internal Auditor reported that PricewaterhouseCoopers (PWC) had recently published a report on 'The Agile Council: creating the change ready organisation', which looked at the environment councils were operating in and five steps to becoming an agile organisation.

The Head of Finance and Procurement agreed to undertake a high level assessment against the performance criteria in the report and subsequently report back to the Committee.

In response to a request by Members, the Head of Finance and Procurement agreed to compile a comprehensive list of the IT packages currently used by the Council for circulation to all Councillors for their information.

Resolved

- (1) That the report be approved.

35

Risk Management - Second Quarter Review

The Committee considered a report of the Policy and Performance Officer on the management of the Council's strategic, corporate and partnership risks during the second quarter of the 2012/3 financial year.

The Committee was advised that two corporate risks had been updated and amended since the last meeting: Member decision making and joint working. In terms of Member decision making, new regulations had been introduced regarding Executive decision making however the legislation was still in part unclear. The Committee was advised the view of legal officers was that although the risk of a decision being taken which was not in compliance with the legislation was reasonably high, the likelihood of a legal challenge being made remained low. Consequently the risk rating remained unchanged.

In terms of joint working between Cherwell District Council (CDC) and South Northamptonshire Council (SNC), the Committee was advised that as the number of shared services were progressing across the two councils, the impact of different terms and conditions of employment, and specifically pay differentials was becoming an increasing concern to employees and their trade union. Consequently it was beginning to represent a risk to both councils in relation to employee morale and productivity, and ultimately employee relations. It is not a legal risk. The Committee was assured that consideration was being given as to the best solution to address this going forward.

In response to questions from Members, the Head of Transformation clarified that the Joint Arrangements Steering Group which comprised CDC and SNC elected Members, was not a formal decision-making body rather an advisory group and its recommendations were considered by formal Council bodies.

The Committee agreed that it would be useful to include the relevant Lead Member responsible for each of the risks identified on the register.

Resolved

- (1) That the Strategic, Corporate and Partnership risk register be noted.

36 **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 second quarter of 2012/13.

The Head of Finance and Procurement reported that at the end of October 2012, interest received on Council investments was 25% more than budgeted and showed a positive result across the In-House, TUK and Investic funds. This was due to higher than planned balances when creating the Council's budget as levels of capital slippage were higher from 2011-12, better than projected rates on the Council's investments and the change in the allocation of funds between In-House, TUK and Investec funds.

The Head of Finance and Procurement reported that the Council had reviewed its interest projection for the year and additional investment income of £250k, including the interest from the Bicester Ecotown, was projected.

The Committee was advised that the financial situation in relation to the Council's investments in Iceland had not changed and that the Council was not currently recognising the interest on its Icelandic investments.

Resolved

- (1) That the contents of the report be noted.

37 **External Audit Annual Certification of Claims Report**

The Committee considered a report of the Head of Finance and Procurement which allowed Members to consider the Auditors' Annual Certification Report which summarises the results of the certification work on the Council's claims and returns for 2011/12.

Resolved

- (1) That the contents of the report be noted.

38 **Housing Benefit and Council Tax Benefit Claims for 2010/11 and 2011/12**

The Committee considered a report of the Head of Finance and Procurement which updated Members on the actions taken following the audit of the Housing Benefit and Council Tax Benefit Claim for 2010/11 and made Members aware of the outcome of the audit of the Claim for 2011/12.

The Committee heard that the council's claim for 2010/11 had been subject to a number of adjustments. The effect of which was to increase the value of the overpayments to benefit claimants due to official errors and delays and result, the Council faced a potential reduction of its claim in excess of £400,000. However, as a result of further work with Capita, the Council was able to reduce the value of these overpayments and the Department for Work and Pensions had recovered a reduced sum of £114,753. This cost had been

shared equally with Capita and the council's contribution was £57,377 which had been met from reserves and represented a positive outcome for the Council.

The Committee was advised that the problems experienced with the audit of the claim for 2011/11 appeared to have been caused by the transition from the in-house benefits service to the outsourced contact with Capita.

As a result of the problems encountered with the claim for 2010/11 a number of learning points were identified. The Head of Finance and Procurement reported that changes had been made in relation to benefits payments to address official errors and delays, including regular in-year monitoring, quality checking of individual benefit claimants and the need to take greater care in the preparation of reports.

The Head of Finance and Procurement assured the Committee that work was underway to manage the potential risk to the welfare of the community and the council's reputation by the introduction of Universal Credit. This included presentations to Members, regular updates to the Executive, mailshots to advise those claimants affected by the Bedroom Tax, meetings with the local Landlord Forum and proactive profiling of the effects of the changes by ward.

The Head of Finance and Procurement agreed to circulate a briefing note to the Committee that highlighted the impact of the changes on council services and council's strategy to manage and respond accordingly.

Resolved

- (1) That the contents of the report be noted.

39

Review of the Anti-Fraud and Anti-Corruption Strategy

The Committee considered an update by the Investigation Manager on the Council's Anti-Fraud and Anti-Corruption Strategy.

The Committee heard of the 10-80-10 theory from the Investigations Manager. As a result of this, all attendees agreed that in times of economic down turn, fraud would increase as individuals sought ways to ease their financial difficulties. It also recognised that fraud within the working sector of society had increased being the sector hit hardest by the Governments strategy to reduce the National debt.

Cherwell District Council was committed to a zero-tolerance policy on fraud and would continue to participate in the National Fraud Initiative exercise.

The Head of Finance and Procurement reported that the council's subsidy would be reduced when Housing Benefit fraud matters were transferred to the Department of Work and Pensions under forthcoming welfare reforms and that the Council would need to consider funding for future anti-fraud activities

At the request of Members', the Head of Finance and Procurement agreed to report to the Committee on proposals for the funding of future anti-fraud activities in course.

Resolved

- (1) That the update be noted.

40 **Work Programme**

The Committee considered its Work Programme 2012/13.

The Committee heard that training sessions on the treasury strategy would be held on 23 January 2013 and on the Council's accounts in mid-June 2013.

Resolved

- (1) That the work programme 2012/13 be noted.

41 **Exclusion of Public and Press**

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 paragraph 3 of Part 1, Schedule 12A of that Act.

42 **Treasury Management Report - Exempt Appendices 1a and 2a**

The Committee considered the exempt appendices to the report of the Head of Finance and Procurement which updated Members on the Council's investments at 31 October 2012.

Resolved

- (1) That the exempt appendices be noted.

The meeting ended at 8.02 pm

Chairman:

Date: