

## **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 23 September 2015 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)  
Councillor Rose Stratford (Vice-Chairman)

Councillor Ray Jelf  
Councillor Nicholas Mawer  
Councillor Barry Richards  
Councillor Lawrie Stratford  
Councillor Barry Wood

Apologies for absence: Councillor Colin Clarke

In Attendance: Ed Cooke, PWC, Internal Audit  
Mark SurrIDGE, Ernst Young, External Audit  
Mick West, Ernst Young, External Audit, joined the meeting during agenda item 8

Officers: Paul Sutton, Head of Finance and Procurement  
Denise Taylor, Corporate Accountant  
Belinda Green, Benefits Manager for agenda item 11  
Shirley Vaughan, Performance and Planning Officer for agenda item 10  
Nick Addis, Corporate Fraud Officer, for agenda item 11  
Natasha Clark, Team Leader, Democratic and Elections  
Sharon Hickson, Acting Democratic and Elections Officer

#### **14 Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

#### **16 Urgent Business**

There was no urgent business.

17 **Minutes**

The Minutes of the meeting of the Committee held on 24 June 2015 were agreed as a correct record and signed by the Chairman.

18 **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.
2. He had agreed to change the order of the agenda and would be moving agenda items 10 and 11 before agenda item 7.

19 **First Quarter Risk Review 2015-16 & Update on Development of Risk & Opportunities Management Strategy**

The Head of Transformation submitted a report to update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2015/16 and reported the progress made on the 2015/16 Risk & Opportunities Management Strategy review, Risk Training programme and Internal Audit review.

In the course of discussion it was queried whether Bicester Gateway had been identified as a risk due to the potential impact on Pioneer Square in terms of lost trade and revenue. The Policy and Performance Officer agreed to clarify this with the Commercial Director (Bicester).

**Resolved**

- (1) That the quarter 1 Strategic, Corporate and Partnership Risk Register be noted and no issues be identified for further consideration or referral to the Executive.
- (2) That the changes to two shared risks' scores, increase in Risk reference Strategic S02 – Financial resilience and decrease in risk reference Strategic S07 – Customer Service Improvements, be noted.
- (3) That it be noted that the two Partnership risks, previously “common” to both Authorities, were now Council specific to better reflect the different structure/circumstances at each Authority.
- (4) That the progress made on the 2015/16 Risk and Opportunities Management strategy review, the 2015/16 Risk Training Programme and the 2014/15 Risk Audit be noted.

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## **Corporate Fraud Team Quarterly Update**

The Head of Finance and Procurement submitted a report which provided members with an update on the Joint Corporate Fraud team including the progress made on the teams' business plan for 2015/16.

In presenting the report the Benefits Manager updated Members on the successful DCLG bid for funding to support the work on corporate fraud. DCLG was monitoring the work carried out through progress reports to ensure the funding was being used as set out in the bid document.

### **Resolved**

- (1) That the report be noted.

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## **Statement of Accounts 2014-15**

The Director of Resources submitted a report to obtain official sign-off by the Chief Financial Officer and the Chairman of the Accounts, Audit and Risk Committee of the audited Statement of Accounts 2014/15.

In introducing the report, the Head of Finance and Procurement gave an overview of the changes that had been made to the accounts since the preliminary "subject to audit" version was considered by the Committee at its 24 June meeting.

The Committee was advised that the majority of the changes were primarily presentational. The main changes related to the inclusion of Graven Hill management costs of £52k, which the auditors were satisfied with but created a ripple through the accounts requiring associated amendments.

The Head of Finance and Procurement advised the Committee that the other main change related to a disclosure recognising a Department for Communities and Local Government (DCLG) debtor for NNDR3 (Business Rates) Return 2014 of £1.5million. In an error on the part of CDC, the NNDR3 had been underclaimed from DCLG in 2012/13. Officers had now contacted DCLG requesting that the money be paid to CDC, however as the business rates payment system had since changed, it would only be possible for the full amount to be claimed if DCLG agreed there were special circumstances. If it was deemed there were no special circumstances, it would only be possible to reclaim 60% of the £1.5m overpayment.

The Head of Finance and Procurement reported that DCLG had agreed to consider repayment, subject to information being submitted. The outstanding amount was recorded in the accounts as a debtor and would not be impaired at this stage as The Head of Finance and Procurement remained confident of full repayment after discussions with DCLG, who had advised that they would give some indication if they would make the payment, by 28 September 2015.

The external auditor advised the Committee that if they endorsed the accounts, they were effectively supporting the belief of officers that the full £1.5m would be repaid by DCLG. The external auditor recommended caution

and that the Committee agree to impair the 40% of the payment that was reliant on special circumstances. If the money was not impaired there was the potential that 100% would be lost.

In response to members' questions regarding how the £1.5m had not been picked up earlier, the Head of Finance and Procurement explained that it was human error in the calculation of the NNDR3 claim form.

Having regard to the explanation of the Head of Finance and Procurement and the comments of the external auditor, Members discussed the implications on impairing 40% of the unclaimed £1.5m from DCLG.

The Committee agreed to accept all of the amendments made to the accounts since their June 2015 meeting with the exception of the disclosure recognising DCLG as a debtor for NNDR3 of £1.5m.

To enable the signing off of the accounts by the statutory deadline of 30 September 2015, the Committee further agreed to delegate authority for the approval of the Statement of Accounts 2014-15 to the Head of Finance and Procurement, in consultation with the Chairman, subject to the provision of evidence to the external auditor that the full £1.5m would be returned by DCLG. If this evidence was not provided, only the 60% that could be claimed without the requirement for special circumstances should be included in the accounts and the remaining 40% of the £1.5m should be impaired.

The Committee requested that a separate report be submitted to their December meeting detailing the full history about what happened to arrive at this position and setting out the current position.

### **Resolved**

- (1) That, excluding the amendment relating to the disclosure recognising DCLG as a debtor for NNDR3 (business rates) of £1.5m. the amendments to the Statement of Accounts 2014-15 made since the June meeting of the Committee be approved.
- (2) That authority for final approval of the Statement of Accounts 2014-15 be delegated to the Head of Finance and Procurement, in consultation with the Chairman, subject to the provision of evidence to the external auditor that the full £1.5m would be returned by DCLG. If this evidence was not provided, the 40% repayment requiring special circumstances to be applied, should be impaired.

### **External Audit Results Report 2014-15**

The Director of Resources submitted a report which presented the Ernst and Young LLP (the council's external auditor) Results Report 2014-15. The report included comments on the external audit of the 2014-15 Statement of Accounts.

In presenting the report, the External Auditor reported that the financial statement audit had been carried out recommending that the Committee considers the Audit results report before approval. The one matter that remained under review within financial statement relating to the £1.5m debtor with the DCLG had been considered in great detail at the previous agenda item. The External Auditor highlighted to members the calculated provision made for NNDR appeals for 2015/16 assumed all cases would be completed within a 12 month period, due to volume of transactions external audit recommend that the 2015/16 calculation be revisited.

The Committee was advised that whilst some recommendations for improvement had been made, the External Auditor anticipated issuing an unqualified opinion on the 2014-15 financial statements.

The External Auditor explained that this was the last time they would be operating under the Audit Commission Code and giving a Value for Money conclusion in this way. The assessment of the Councils financial resilience had been increased to a "significant risk" to reflect the significant financial challenges facing the sector.

The External Auditor informed the Committee that a more robust management of reserves was required to maintain financial resilience for the future and recommended in-depth reporting of all earmarked reserves with formal reviews held on each.

In terms of value for money, the External Auditor concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and expected to present an unqualified value for money conclusion for these arrangements.

The Committee was advised that the proposed final audit fee for 2014/15 was higher due to the increased scope arising from Group Accounts and the costs associated with responding to an elector's question on the Council's accounts.

The Head of Finance and Procurement advised the Committee that the areas for improvement would be identified by officers to be referred to the appropriate committee.

### **Resolved**

- (1) That, authority for final approval of the Statement of Accounts 2014-15 be delegated to the Head of Finance and Procurement, in consultation with the Chairman, subject to the provision of evidence to the external auditor that the full £1.5m would be returned by DCLG. If this evidence was not provided, the 40% repayment requiring special circumstances to be applied, should be impaired.
- (2) That the adjustments to the financial statements be noted
- (3) That the letter of representation on behalf of the Council be approved.

23 **Internal Audit Progress Report 2015-16**

The Director of Resources submitted a report which presented the Internal Audit Annual progress report 2015/16.

In introducing the report, Ed Cooke, PwC, the council's internal auditor advised the committee that discussions had been held with management on the 2015/16 audit plan and individual review scopes would be completed in due course. The 2015/16 plan remained on course to be delivered during quarter 3 and quarter 4.

The Committee was advised that two additional pieces of work had been delivered: The first being an additional review in relation to HCA procedural Compliance was delivered outside of the 2014/2015 internal audit plan under a separate engagement letter. Discussion had taken place for a similar arrangement to be included in the 2015/16 year plan.

The second additional piece of work related to the provision of risk management training for senior management team and staff under service heads that have responsibility for risk. Initial discussions have been held and a scope of work requested to identify precise requirements and any additional fees that would be applicable

**Resolved**

- (1) That the report be noted.

24 **Q1 Treasury Management Report**

The Director of Resources submitted a report on the Council's treasury management performance and compliance with the treasury management policy for 2015-16 for Quarter 1 as required by the Treasury Management Code of Practice.

**Resolved**

- (1) That the Q1 Treasury report be noted.

25 **Work Programme 2015 - 2016**

The Committee considered its Work Programme 2015-16.

**Resolved**

- (1) That subject to the addition of DCLG Business Rates Update report to December, the work programme 2014/15 be noted.

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

27 **Q1 Treasury Management Report - Exempt Appendix**

**Resolved**

(1) That the exempt appendix be noted.

The meeting ended at 7.55 pm

Chairman:

Date: