

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 June 2010 at 6.30 pm

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

Councillor Ken Attack
Councillor Tim Emptage
Councillor Nicholas Mawer
Councillor Barry Wood

Apologies
for
absence: Councillor Lawrie Stratford
Councillor Rose Stratford

Also Present: Maria Grindley, District Auditor, Audit Commission
Nicola Jackson, Audit Manager, Audit Commission
Katherine Bennet, Audit Team Leader, PricewaterhouseCoopers

Officers: Mary Harpley, Chief Executive and Head of Paid Service
Chris Dickens, Chief Internal Auditor
Karen Curtin, Head of Finance
Jessica Lacey, Technical Accountant
Karen Muir, Corporate System Accountant
Natasha Clark, Senior Democratic and Scrutiny Officer

8 Declarations of Interest

There were no declarations of interest.

9 Petitions and Requests to Address the Meeting

There were no petitions or requests to address the meeting.

10 Urgent Business

There was no urgent business.

11 Minutes

The Minutes of the meeting held on 16 June 2010 were agreed as a correct record and signed by the Chairman.

12 **Statement of Accounts (Subject to Audit) 2009/10**

The Head of Finance submitted the Draft Statement of Accounts for 2009/10 for the Committee's consideration, together with a note of the meetings held on 16 and 17 June 2010 where the Statement had been examined in detail. The note contained answers and explanations to all 37 questions raised by Members on 16 and 17 June 2010 and since that meeting, and where necessary, the Statement had been revised and amended accordingly.

The Head of Finance circulated a supplementary sheet which was an amendment to page 8 of the previously circulated statement due to recategorisation of the 'sources of finance' categories.

Members examined the revised Statement. Officers outlined the changes and answered further questions. The Head of Finance and Chief Executive advised the Committee that they felt the Statement was a fair reflection of the Council's current position.

The Committee thanked all staff in the Closedown Team for their hard work in preparing the Statement of Accounts 2009/10 and answering all of their questions.

Resolved

- (1) That the Financial Statement "Subject to Audit" 2009/10 be approved subject to the inclusion of the amended table on page 8 of the Statement.

13 **Annual Report and Summary of Accounts**

The Head of Finance submitted the combined Annual Report and Summary of Accounts (Subject to Audit) 2009/2010 for the Committee to consider. The Head of Finance advised the Committee that the document had been prepared three months earlier than in 2008/09 in order to achieve a top score of 4 in the Audit Commission's Key Lines of Enquiry assessment. Although the regime had been removed, the ambition to improve remained.

The Committee noted that the report and summary provided an opportunity for the Council to present its achievements to local residents and businesses, how the Council managed its finances and set out its targets for 2010/11. Members also noted that the 2009/2010 report and summary also recognised achievements that had been delivered through successful partnership working.

The Committee thanked the Finance Team for their efforts in producing the Annual Report and Summary of Accounts (Subject to Audit) 2009/2010.

Resolved

- (1) That the Annual Report and Summary of Accounts (Subject to Audit) 2009/2010 be approved.

- (2) That delegated authority be granted to the Head of Finance to make a minor update to the capital receipts table on page 6 of the Annual Report and Summary of Accounts (Subject to Audit) 2009/10 by 26 June 2010.

14

Treasury Management 2009/10 Outturn Report

The Committee considered a report of the Head of Finance which updated Members on the actual return on investments for the period to March 2010, detailed the counterparties that have been used for investments and considered compliance with the investment strategy.

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 actual variance at the end of the financial year was £794k which was higher than anticipated and had been attributed to the current low base rate. The Head of Finance advised the Committee that the Council had used its Interest risk reserve to offset the interest shortfall, consequently performance for 2009/10 was within budget tolerances.

The Head of Finance updated the Committee on the joint procurement exercise with Oxford City Council for Council's contract for treasury advice. The contract for Treasury Advisors was awarded to Sector with effect from 1 April 2010.

The Head of Finance updated Members on the current situation regarding the Council's investments with the failed Icelandic bank Glitnir. Decisions on the priority status of local authority deposits would be made by Icelandic courts. Due to the length of the legal processes, it was anticipated that there would not be a settled position on priority status before June 2011. The Head of Finance advised the Committee that while the Council remains confident of getting the full investment amount back as a priority creditor, the possibility of receiving a reduced amount has been considered and built into the Medium Term Financial Forecast.

Resolved

- (1) That the contents of the report and performance to date be noted.

15

Audit Commission Triennial Review of Internal Audit

The Committee considered a report of the Head of Finance which set out the outcomes of the Audit Commission triennial review of the work of Cherwell District Council's Internal Audit Function that is provided by PricewaterhouseCoopers (PwC).

Nicola Jackson (Audit Manager, Audit Commission) advised the Committee that the Audit Commission undertakes a review of the work of internal audit to

ensure it complies with Local Government Internal Audit standards. The Audit Manager reported that the review had concluded that PricewaterhouseCoopers complied with the Internal Audit Standards in all material respects and that the Audit Commission had concluded that they can place reliance on Internal Audit's work. There were a few areas that had been identified as scope for improvement and an action plan had been agreed to address these.

The Chief Internal Auditor advised the Committee that he was satisfied with the report and would present an updated version of the Internal Audit Charter to the Committee's September meeting.

Resolved

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

16

Audit Commission Opinion Plan

The Committee considered a report of the Head of Finance which set out the work that the Audit Commission would undertake in order to form an opinion on the financial statements for 2009/10 taking into account risk which satisfies their responsibilities under the Audit Commission's Code of Audit Practice.

Nicola Jackson (Audit Manager, Audit Commission) advised the Committee that, as part of the audit process, the Audit Commission was required to assess whether the Council's 2009/10 financial statements were prepared without any material misstatements and issue an audit report giving an opinion on whether the statements accounts present fairly the financial position of the Council as at 31 March 2010. This report would be presented to the Committee's September meeting.

The Audit Manager reported that no significant risks had been identified, however, two specific risks relating to Cherwell's investments in Iceland and service concessions. The Chief Executive assured the Committee that officers had met with the Audit Commission and that their risk areas were being addressed.

Resolved

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

17

Audit Commission Fee Letter 2010/11

The Committee considered a report of the Head of Finance which set out the work that the Audit Commission proposed to undertake during the 2010/11 financial year at Cherwell District Council and the fee associated with this work.

Maria Grindley (District Auditor, Audit Commission) advised the Committee that since the letter had been issued, a number of changes had been announced by the Coalition Government, including the abolition of

Comprehensive Area Assessments which had resulted in the Audit Commissions ending the use or resources assessment work. As a consequence, there would be changes to the original fee. The fee for the 'managing performance element of the organisational assessment' was no longer applicable and there would be a reduced fee for the 'use of resources/Value for Money conclusion' audit area.

The District Auditor reported that the Government had advised the Audit Commission that there would be a consultation on the future direction of the Commission in due course. It was anticipated that the Government and Department for Communities and Local Government would announce the future role of the Audit Commission in the autumn.

Resolved

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

18 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 2009/2010 for the period to the year end 31 March 2010. The Committee was advised that all of the planned work for the year had been completed and an outturn statement detailing assignments undertaken and actual activity for the year was detailed in the Chief Internal Auditor's Annual Audit Letter which would be considered by the Committee at the next agenda item.

Katherine Bennett (Audit Team Leader, PriceWaterhouseCoopers) reported that since the Accounts, Audit and Risk Committee meeting of 22 March 2010, four final reports had been issued and a survey on the Council's governance arrangements had been completed.

Resolved

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

19 Internal Audit Annual Report 2009/10

The Chief Internal Auditor submitted the Internal Audit Annual Report 2009/10 for the Committee's consideration. The report presented the Chief Internal Auditor's annual opinion on the adequacy and effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations.

The Chief Internal Auditor reported that the program of internal audit work for the year ended 31 March 2010 had not identified any significant control weaknesses. The Committee was advised that internal auditors had identified mostly low and medium rated risks during the course of their audit work on business critical systems, however there had been some isolated high risk recommendations. As a consequence, the internal audit team had given 'moderate assurance' on the design adequacy and effectiveness of the system of internal control.

Resolved

- (1) That the Internal Audit Annual Report 2009/10 be approved.

20 **Exclusion of the 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 item of business, on the grounds that it could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.

21 **Treasury Management 2009/10 Outturn Report - Exempt Annex 2**

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 31 March 2010.

Resolved

- (1) That the exempt annex be noted.

The meeting ended at 8.00 pm

Chairman:

Date: