

## **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 22 June 2011 at 6.30 pm

Present: Councillor Tony Ilott (Chairman)  
Councillor Trevor Stevens (Vice-Chairman)

Councillor Andrew Beere  
Councillor Colin Clarke  
Councillor Mike Kerford-Byrnes  
Councillor Barry Wood

Also Present: Councillor Nigel Morris, Lead Member for Change  
Nicola Jackson, Audit Manager, Audit Commission

Apologies for absence: Councillor Lawrie Stratford  
Councillor Rose Stratford

Officers: Karen Curtin, Head of Finance / Section 151 Officer  
Chris Dickens, Chief Internal Auditor  
Pat Simpson, Head of Customer Services & Information Systems  
Claire Taylor, Corporate Strategy and Performance Manager  
Jessica Lacey, Technical Accountant  
Natasha Clark, Senior Democratic and Scrutiny Officer

#### **9 Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

#### **11 Urgent Business**

The Chairman reported that he had agreed to one item of urgent business being added to the agenda, Cherwell District Council's Anti-Bribery Policy, as the policy needed to be endorsed by the Committee before the Bribery Act 2010 entered into force on 1 July 2011. The item would be considered between items 13 and 14 on the agenda.

12 **Minutes**

The Minutes of the Meeting held on 15 June 2011 were agreed as a correct record and signed by the Chairman.

13 **Financial Statements 2010/11**

The Committee considered a report of the Head of Finance which provided a review of the Accounts, Audit and Risk Committee meeting of 15 June 2011 at which Members had reviewed the draft Financial Statements 2010/11 (subject to audit).

The Head of Finance advised the Committee that the Accounts and Audit Regulations 2011 state that whilst the statement of accounts must be approved no later than 30 June immediately following the end of a year, the draft statement of accounts could now be approved by the responsible financial officer rather than Accounts, Audit and Risk Committee. The responsible financial officer at Cherwell District Council was the section 151 officer (Head of Finance) Karen Curtin.

Whilst there is no statutory requirement for the Accounts, Audit and Risk Committee to approve the draft statement of accounts by 30 June, the Head of Finance recognised that it would be good practice to provide the Committee with the opportunity to scrutinise the statements. This had taken place on 15 June 2011. The Head of Finance highlighted the amendments that had been made to the draft Financial Statements as a result of the Committee's scrutiny.

The Head of Finance highlighted the current situation with regard to the Council's investment with the failed Icelandic bank Glitnir. She reported that officer had taken a prudent approach to capitalisation and had submitted a briefing note to the Audit Commission seeking their support of this approach. The Committee endorsed the prudent approach to capitalisation that officers had applied in the financial statements.

**Resolved**

- (1) That progress on the Financial Statements 2010/11 be noted.

14 **Annual Governance Statement 2010/11**

The Committee considered a report of the Head of Finance which sought approval for the Annual Governance Statement 2010/11, subject to any amendments from the Accounts, Audit and Risk Committee.

The Head of Finance advised Members that previously the Annual Governance Statement formed part of the financial statements but was now a standalone document. The Statement had been put together by the Corporate Governance Panel, which comprised three elected Members support by officers.

In response to Members' questions, the Head of Customer Service and Information Systems explained that for the first year the monitoring of complaints was centralized. A summary of complaints received was currently presented to Members through the Members' Weekly Bulletin. Members agreed that an annual synopsis of complaints, including areas, synopsis of complaint, outcomes, actions and lesson learned, be submitted to the Accounts, Audit and Risk Committee at an appropriate date.

**Resolved**

- (1) That the Annual Governance Statement "Subject to Audit" 2010/11 be approved.
- (2) That the Accounts, Audit and Risk Committee receive an annual report of complaints received by the Council.

15 **Treasury Management Annual Report**

The Head of Finance submitted a report which presented information on treasury management annual performance and compliance with treasury management policy during 2010/11 as required by the Treasury Management Code of Practice.

The Technical Accountant advised the Committee that the Treasury Management Annual Report 2010/11 had been produced with advice from Sector, the Council's treasury management advisers. She reported that during 2010/11 the council had complied with its legislative and regulatory requirements and the councils own Treasury Management Strategy 2010/11 that had been approved by Full Council in February 2010. The Committee was advised that the Council was debt free and currently did not have a borrowing requirement.

**Resolved**

- (1) That the Treasury Management Annual Report 2010/11 be endorsed and recommended for consideration at the next appropriate Full Council meeting.
- (2) That authority be delegated to the Head of Finance, in consultation with the Chairman of the Accounts, Audit and Risk Committee, to make any amendments to the Treasury Management Annual Report 2010/11 as a result of finalising the 2010/11 financial statements.

16 **Annual Audit Fee and External Audit Progress Report**

The Committee considered a report of the Head of Finance which set out the audit and inspection work that the Audit Commission proposed to undertake for the 2011/12 financial year at Cherwell District Council and the fee associated with this work. The report also provided a progress report on the work of external audit.

The Audit Manager advised Members that the proposed fee for 2011/12 for Cherwell District Council was £114,338. The fee reflected the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Audit Commission in 2011/12. The fee would cover: the audit of financial statements; Value for money conclusion; and, whole of Government accounts.

The Audit Manager advised the Committee that the Audit Commission appoints Engagement Leads to local authorities for five years with an option to extend for a further two years. She explained that 2011/12 would be the sixth year of appointment for Cherwell District Council's Engagement Lead (Maria Grindley) and that the Engagement Lead had requested a two year extension to her appointment. The Committee agreed that in light of external audit being in a transition stage and their satisfaction with the existing Engagement Lead, it would be appropriate to agree to a two year extension.

The Audit Manager provided an overview of External Auditors Progress Report. She reported that based on work previously undertaken at the council, it was anticipated that an unqualified assurance statement would be issued on the financial statements. The Committee was advised that an interim systems audit had highlighted two weaknesses and action plans were in place to address these.

### **Resolved**

- (1) That the contents of the annual audit fee letter be noted.
- (2) That the extension of the Engagement Lead (Maria Grindley) for a period of two further years be approved.
- (3) That the contents of the External Audit Progress Report be noted.

## **17 Internal Audit Annual Report 2010/11**

The Committee considered a report of the Chief Internal Auditor which presented the Internal Audit Annual Report 2010/11.

The Chief Internal Auditor reminded Members that the Internal Audit Plan 2010/11 had been approved by the Committee in March 2010. He confirmed that all work had been completed by 31 March 2011. The Chief Internal Auditor reported that "moderate" assurance had been given on the internal control framework of the Council. He explained that moderate assurance was given when mostly low and medium rated risks had been identified during the course of the internal audit reviews, but there had been some isolated high risk recommendations.

The Committee was advised that the internal audit reviews in 2010/11 had identified a considerable amount of good practice in relation to the operation of internal control systems and that high assurance had been issued in seven of the twenty-two assurance reports issued.

**Resolved**

- (1) That the Internal Audit Annual Report 2010/11 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 2010/11 and 2011/12 for the period from March 2011 to June 2011 and presented the Internal Audit 2010/11 Firewall Review.

The Chief Internal Auditor reminded Members that performance against the 2010/11 Internal Audit Plan had been reported in the Annual Report presented at the previous agenda item. The Chief Internal Auditor reported that since the Committee's March meeting eight final reports had been issued. In addition, the Committee was advised that planning and fieldwork had commenced for the 2011/12 reviews and progress would be reported to the next meeting of the Committee.

The Chief Internal Auditor advised the Committee that a 'Limited Assurance' opinion had been issued for the Firewall review. He explained the opinion related to an issue at the time of the review and that all points raised in the review had been acted upon immediately. He confirmed that there had been no breach of security but a potential internal risk had been identified. The Head of Customer Service and Information Systems reported that internal audit had been requested to look at the Councils firewall in advance of changes that were due to be implemented. She confirmed that the risks identified had now been addressed.

**Resolved**

- (1) That the Internal Audit progress report be noted.

19 **Accounts, Audit and Risk Committee Annual Report 2010/11**

The Committee considered a report of the Head of Finance which presented the annual report of the Accounts, Audit and Risk committee for 2010/11 for review and approval and recommended that it be presented to full Council.

The Head of Finance reported that the Terms of Reference of the Accounts, Audit and Risk Committee required that the Committee produce an annual report for consideration by Full Council. The draft report had been produced in conjunction with the former Chairman of the Committee and provided an overview of the work of the Committee in 2010/11.

**Resolved**

- (1) That the Accounts, Audit and Risk Committee Annual Report be endorsed and recommended for consideration at the next appropriate Full Council meeting.

## **Risk Management**

The Committee considered a report of the Corporate Strategy and Performance Manager which updated Members on the management of Strategic, Corporate and Partnership risks during the final quarter of 2010/11 and highlighted any emerging issues for concern.

The Corporate Strategy and Performance Manager reported that in the final quarter of 2010/11, fourteen risks had remained constant, three had improved, none had worsened, one risk had been added to the register and two removed from the register.

The Corporate Strategy and Performance Manager advised the Committee that for 2011/12 the reporting of Strategic, Corporate and Partnership Risk Register would continue to be integrated into the quarterly performance report to the Executive. The performance of all the risks on the Strategic, Corporate and Partnership Risk Register would be reported to the Accounts, Audit and Risk Committee on a quarterly basis.

The Committee was advised that during the final quarter of 2010/11 a review of the council's risk management systems and processes had been undertaken by internal audit. A moderate assurance had been given with a number of small issues highlighted. The Corporate Strategy and Performance Manager confirmed that management responses had been agreed and, where practicable, actioned.

### **Resolved**

- (1) That the quarter 4 Strategic, Corporate and Partnership Risk Register be noted.
- (2) That the proposed reporting timetable to the Executive and the Accounts Audit and Risk Committee 2011/2012 be agreed.
- (3) That the outcomes of the risk management internal audit review be noted.

## **Cherwell District Council's Anti-Bribery Policy**

The Committee considered a report of the Head of Finance and Investigations Manager which presented the Council's Anti-Bribery Policy.

The Head of Finance reminded Members that the Council's Investigations Manager and the Senior Counter-Fraud Specialist, PricewaterhouseCoopers (the council's internal auditors) had given a presentation on corporate fraud to the Committee's meeting of 15 June 2011. The Committee had reviewed the draft Anti-Bribery Policy at the meeting and recommended a small number of minor amendments which had been incorporated in the final version.

### **Resolved**

- (1) That Cherwell District Council's Anti-Bribery Policy be endorsed.

22 **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 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.

23 **Treasury Management Annual Report - Exempt Appendices 1a and 1b**

The Committee considered the exempt annex to the report of the Head of Finance which updated Members on the Council's investments and counterparties at 31 March 2011.

**Resolved**

- (1) That the exempt annex be noted

The meeting ended at 8.30 pm

Chairman:

Date: