

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 19 September 2012 at 6.30 pm

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

Councillor Andrew Beere
Councillor Colin Clarke
Councillor Andrew Fulljames
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Also Present: Maria Grindley, Audit Commission
Alan Witty, Audit Commission
Charlotte Blisland, PricewaterhouseCoopers LLP

Officers: Martin Henry, Director of Resources / Section 151 Officer
Karen Curtin, Head of Finance and Procurement
Karen Muir, Technical & Project Accountant
Denise Taylor, Corporate Accountant
Edward Cooke, Interim Technical Accountant
Gavin Lane, Democratic and Elections Officer

15 Declarations of Interest

There were no declarations of interest.

16 Minutes

The Minutes of the meeting of the Committee held on 27 June 2012 were agreed as a correct record and signed by the Chairman.

17 Petitions and Requests to Address the Meeting

There were no petitions or requests at the meeting.

18 Urgent Business

There was no urgent business.

External Audit Annual Governance Report

The District Auditor submitted the External Audit Annual Governance Report.

The Committee heard that due to outstanding work from the Audit Commission, it had not been possible to publish the Annual Governance Report with the agenda and it was tabled in hard-copy for consideration at the meeting.

The Committee was advised that during the Audit, the Audit Manager assigned to the Council by the Audit Commission, Nicola Jackson, applied for and was successful in attaining the position of Corporate Finance Manager for Cherwell District Council and South Northamptonshire Council. In order to safeguard the independence of the audit, Nicola Jackson was replaced as Audit Manager by Alan Witty to complete the audit. Alan Witty undertook a full file review of the work completed by the team during the audit to ensure the report had been independently checked.

The District Auditor reported that the Council's draft financial statements were approved by the Committee on 27 June 2012 and certified by the Council's Director of Resources on 29 June 2012. However, the Accounts and Audit (England) Regulations 2011 required that the Committee approve the final version of the Accounts on behalf of the Council by 30 September 2012.

The Committee heard that the District Auditor had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The District Auditor had originally identified an error of £46,000 relating to the rental income from Castle Quays, which had subsequently been corrected.

The Committee was advised that the District Auditor had identified significant risks in relation to recovering funds from Icelandic banks and the failure of the Council's cash collection arrangements to comply with Payment Card Industry data security standards. It was reported that the District Auditor was satisfied that appropriate action on these issues had been agreed with the Council.

The Committee heard that the implementation of joint working arrangements with South Northamptonshire Council had resulted in a number of redundancies during 2011 – 2012. The District Auditor had concluded that the rationale and approval for the redundancies was generally satisfactory, but that the Council had not retained robust evidence to support some of the key decisions made.

In relation to any future severance arrangements, the Committee was informed that a system would be introduced to ensure supporting documentation was available to evidence all decisions made by the Council.

The Committee was advised that three weaknesses of internal control had been identified and resolved with the Council's management, specifically:

- (a) the retention of evidence to support the checking of Capita's work on Council Tax;
- (b) the reconciling of Pay and Display car park income from the Council's machines to its bank account; and
- (c) the reconciling of the Council's Co-op bank account.

The Committee heard that the Audit Commission had paid a rebate of £9,147 to the Council to reflect the attainment of internal efficiency saving, which had reduced the Commission's annual audit fee for 2011 – 2012 to £105,191.

Resolved

- (1) That the matters raised in the draft Annual Governance Report be noted, prior to approval of the 2011 – 2012 financial statements.
- (2) That the adjustments to the financial statements stated in Appendix Three of the Annual Governance Report be noted.
- (3) That the Draft Letter of Management Representation outlined in Appendix Four of the Annual Governance Report be agreed.
- (4) That the Action Plan outlined in Appendix Six of the Annual Governance Report be agreed.

20

Statement of Accounts 2011/12

The Committee considered a report by the Head of Finance and Procurement on the Council's Statement of Accounts 2011 – 2012 following audit by the Audit Commission.

The Committee heard that due to outstanding work from the Audit Commission, it had not been possible to publish the amended Statement of Accounts and Summary Statement of Accounts with the meeting agenda. Both documents were therefore tabled in hard-copy for consideration at the meeting.

The Committee heard that the Summary Statement of Accounts would be updated to reflect any changes and uploaded onto the Council's website.

The Committee heard that the District Auditor had originally identified an error of £46,000 relating to the rental income from Castle Quays, which had subsequently been corrected.

Resolved

- (1) That the proposed amendments to the 2011 – 2012 financial statements be approved.

- (2) That authority to approve the Statement of Accounts 2011- 2012 be delegated to the Director of Resources, in consultation with the Chairman, before the target deadline of 30 September 2012.
- (3) That it be noted that the 2011 – 2012 Annual Report and Summary of Accounts was currently being prepared.
- (4) That the letter to the District Auditor regarding compliance with internal auditing standards, signed by the Chairman on 31 July 2012, be noted.

21 **Consultation Response to the Draft Local Audit Bill**

The Committee considered a report of the Head of Finance and Procurement on the Council's consultation response to the draft Local Audit Bill.

The Committee was advised that the Council's proposed response was broadly supportive of the draft Bill as it would result in a significant reduction in future audit fees and enable the Council to appoint its own auditor.

The Director of Resources reported that officers were of the opinion that the independent auditor panels proposed in the Bill were excessive and unnecessary as politically-balanced Audit Committees should suffice.

The Committee noted that the Council's response identified the district as a rural area and the Director of Resources agreed to clarify what constituted a rural area with the Department for Communities and Local Government.

The Committee heard that the deadline for the Council's response was 31 August 2012 and the Director of Resources agreed to report to Members on the timeframe for the introduction of the proposed Bill.

Resolved

- (1) That the Council's response to the consultation on the Local Audit Bill be noted.

22 **Treasury Management Annual Report 2011-12**

The Committee considered a report of the Head of Finance and Procurement on the Council's Treasury Management Annual Report 2011 - 2012.

The Committee was advised that the Council's return on its investments for the 2011 – 2012 financial year was £1.230 million. Of that interest, a total of £216k had been received in relation to the investment of Eco Town funds.

The Committee heard that the Council's budget was based on an average investment balance of £68 million with an interest rate of 1.06%. However, the actual average balance was £72.56 million with an average return of 1.70%.

The Head of Finance and Procurement reported that the Council had received repayment of £5.7 million of the initial capital investment of £6.5 million held in

the failed Icelandic bank, Glitnir. However, the outstanding balance of £729k remained frozen in a deposit account with Icelandic bank Cronia, at an interest rate of 3.4%.

The Committee was advised that after its current investments with Tradition UK had reached maturity, the Council would not reinvest in this fund.

The Committee heard that at the end of August 2012, the interest received on Council investments was 24% higher than budgeted. This performance was due to a higher level of capital programme slippage from 2011-12 resulting in higher balances than planned for; success in obtaining better rates of interest from the Council's investments; and changes in the balance of funds between the Council's investments with Investec, In House and Tradition UK.

Resolved

- (1) That the performance of the Council's Fund Managers during 2011 - 2012 be noted.

23 External Audit Progress Report

The Committee considered a report of the Head of Finance and Procurement on the progress of the work undertaken by external audit.

The Committee heard that the Council's transition to Ernst and Young was proceeding smoothly.

Resolved

- (1) That the report be noted.

24 Internal Audit Progress Report

The Committee considered a report by the Chief Internal Auditor on the Internal Audit Progress Report (Quarter1) 2012 - 2013.

The Committee heard that PWC had completed 23 audit days out of a planned 160 and was on track for completion ahead of the year end.

In order to ensure the audit plan remained fit for purpose, the Committee heard that the following revisions had been made:

- (a) a joint review would be undertaken following the merger of the Council's payroll systems with those at South Northants Council.
- (b) a 3-day review of the monitoring and performance mechanisms relating to the Council's leisure contract was to be undertaken, in place of a planned 3-day secondment of a member of the Housing Benefits team to support testing on claims in advance of the Council's subsidy claim.

The Committee was advised that PWC had identified a number of areas where the Council's Capita contract had not been delivered by the supplier or the Council. The Head of Finance and Procurement reported that a full assessment of the contract would be undertaken to determine if contractual requirements were not being met or whether services were not required.

The Committee heard that PWC had undertaken a review of the costs and recharges associated with the Council's Joint Management Team. The review examined the budget information and spend incurred during Quarter 4 of the last financial year. In sum, no issues or errors were identified by the review.

Resolved

- (1) That the report be approved.

25 **Risk Management - First Quarter Review**

The Committee considered a report of the Corporate Performance Manager on the management of the Council's strategic, corporate and partnership risks during the first quarter of the 2012 - 2013 financial year.

The Director of Resources advised the Committee that none of the risk associated with the Council's activities had changed during the first quarter and, consequently, that there were no particular risk issues to raise with the Committee.

The Committee stressed that the process of continual improvement required that the Council's risk register should be a living document, subject to ongoing revision. In relation to the risk register, future reports to the Committee should identify any potential significant risks facing the Council and any plans to offset these risks. In addition, future reports should not only identify any changes to the register, but also explain any risks that had not changed.

Resolved

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

26 **Subsidy Update**

The Committee considered a verbal update from the Head of Finance and Procurement on the Council's subsidy.

The Committee heard that a full report would be presented to its next meeting, but that £116k of the Council's subsidy needed to be repaid. The burden of the repayment was to be met equally by the Council and Capita and was less than had been predicted by the Finance Team. An action plan had been devised to offset the possibility of such a problem reoccurring in the future.

The Committee requested that a press release be issued once the arrangements for the subsidy repayment had been confirmed.

Resolved

- (1) That the verbal update be noted.

27

Exclusion of Public and Press

Resolved

That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting to enable consideration of Appendices 2 and 3 of the following item on the grounds that, if the public were present, it would be likely that exempt information falling under provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them and that, in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

28

Treasury Management Report - Exempt Appendices 2 and 3

The Committee considered the exempt annexes to the report of the Head of Finance and Procurement on the Council's Treasury Management Annual Report 2011 - 2012.

Resolved

- (1) That the exempt appendices be noted.

The meeting ended at 8.30 pm

Chairman:

Date: