

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 9 October 2015 at 2.00 pm

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

Councillor Colin Clarke
Councillor Barry Richards
Councillor Lawrie Stratford
Councillor Barry Wood

Substitute Members: Councillor Lynn Pratt (In place of Councillor Nicholas Mawer)

Also Present: Councillor Ken Atack, Lead Member for Financial Management

Apologies for absence: Councillor Ray Jelf
Councillor Nicholas Mawer

In attendance: Martin Grinham, Ernst and Young, External Audit
Mark Surridge, Ernst and Young, External Audit

Officers: Sue Smith, Chief Executive
Paul Sutton, Head of Finance and Procurement
Martin Henry, Director of Resources / Section 151 Officer
Kevin Lane, Head of Law and Governance / Monitoring Officer
Natasha Clark, Team Leader, Democratic and Elections

28 **Declarations of Interest**

There were no declarations of interest.

29 **Chairman's Announcements**

There were no Chairman's announcements.

30 **Exclusion of the Press and Public**

The Chairman advised the Committee that as the report was public, it was not necessary to exclude the press and public.

31 **Statement of Accounts 2014-15**

The Director of Resources/Section 151 Officer submitted a report which sought approval of the Statement of Accounts and Letter of Representation for the financial year 2014-15.

The Chairman reminded the Committee that at their meeting of 23 September they had determined they could not sign off the accounts and had delegated authority to the Head of Finance and Procurement, in consultation with the Chairman, to continue discussions with Ernst and Young, the council's external auditor, and the Department for Communities and Local Government (DCLG) with a view to the accounts being signed off by the statutory deadline of 30 September 2015. It subsequently emerged that delegated authority could not be granted to an officer to approve the Statement of Accounts and it had therefore been necessary to call the special meeting of the Committee.

In introducing the report, the Director of Resources/Section 151 Officer gave a detailed overview of the issue that had arisen at the 23 September Accounts, Audit and Risk Committee which had resulted in the Committee's decision not to approve the accounts at that time. The Director of Resources explained that as part of their audit of the Statement of Accounts 2014-15, Ernst Young, the council's external auditor, had highlighted an accrual that had been raised for approximately £1.5m.

The debtor was raised in 2011-12 and related to the NNDR3 (a return which certified the level of business rates the Council had collected on behalf of the Government) that had been submitted and audited for the financial year 2011-12. The return had been incorrectly completed and as a result, the council had overpaid £1.5m to the Government more than it should have. A debtor had therefore been raised in the general ledger to reflect that this amount was owed to the Council by the Government. This debtor accrual was still in the accounts in 2014-15 as the overpaid amount had not been reimbursed by the DCLG.

The Committee was advised that when considering the 2014-15 audited accounts, the external auditor had asked the Section 151 Officer to consider if he would be impairing any of the outstanding debt owed. The Director of Resources/Section 151 Officer explained that after careful consideration, he had felt it was premature to do so.

Prior to the 23 September meeting, the external auditor had been aware of the Director of Resources/Section 151 Officers' approval of the accounts and was comfortable with the approach being taken. At the meeting however, the Director of Ernst Young had arrived late and not been aware of the position of the external audit team. He had given his view on the outstanding debtor advising the Committee the accounts should not be approved. The Committee had consequently determined not to approve the accounts and to delegate authority for their approval to the Head of Finance and Procurement, in consultation with the Chairman, which it had subsequently transpired was not possible.

The Director of Resources/Section 151 Officer advised the Committee that since that meeting there had been further discussions with the external auditor and correspondence and contact with DCLG.

The Director of Ernst and Young had confirmed that he no longer had an issue with the accounts or the judgement exercised and that he encouraged the Council to approve them.

DCLG had requested the submission of information for the reimbursement of the overpaid funds which they would take into account for 'special consideration', which the council had duly submitted requesting the overpaid funds be repaid. DCLG's official position remained that they were still considering the matter.

The Director of Resources/Section 151 Officer advised the Committee that since the Committee's 23 September meeting, he had set out his reasoning to the external auditor regarding why he felt it was premature to write off any of the DCLG debt in the 2014-15 accounts. On 30 September, in light of the information from the external auditor and DCLG, he reconsidered the matter and advised the Chairman of the Accounts, Audit and Risk Committee, the Leader of the Council and the Lead Member for Financial Management that he was still of the view that it was too premature to write off any of the outstanding debt for 2014-15 and the accounts should therefore be approved.

In considering the report, Members noted that whilst they needed to rely on the advice of the Section 151 Officer, they should question these judgements particularly when there was conflicting advice from the external auditor. Members raised some concerns that the view of the external auditor had changed since their 23 September meeting. It was however important that the advice of the Section 151 Officer and the external auditor was now that the accounts should be approved.

In response to Members' queries regarding the ramifications of the council approving the Statement of Accounts 2014-15 after the 30 September statutory deadline, the Director of Resources/Section 151 Officer explained that the council would be on a black list that was published, although he was unsure where this was published, and there was potential reputational damage.

The Committee raised concerns about the situation that had arisen and stressed the importance of reviewing what had happened, how the situation had arisen and the implications if the £1.5m was not repaid. Members referred to their comments at the 23 September meeting that a full review of the events leading to the error and it not being identified until 2014-15 be undertaken and noted that an independent body would undertake this review following approval of the Statement of Accounts. This would be reported back to the Committee as soon as possible.

Having due regard to the detailed explanation given by the Director of Resources/Section 151 Officer, the Committee agreed that the statement of accounts 2014-15 should be approved.

(Having been approved, the Statement of Accounts 2014-15 and Letter of Representation 2014-15 were signed by the Chairman of the Accounts, Audit and Risk Committee and the Section 151 Officer.)

The Chairman advised the Committee that he had met with the Chief Executive regarding the independent review to be undertaken. The Chief Executive explained that an external company that had not been engaged in any part of the

process would be used to undertake the review, which would look at what had happened, internal control processes, escalation to senior officers and elected Members and call upon the internal and external auditors, former and current officers as witnesses and make recommendations accordingly.

The Committee agreed that it was important for the review to be thorough and the Chief Executive should oversee the terms of reference of the review, in consultation with the Chairman.

In response to Members' comments, the Chairman agreed that he would use his discretion to invite other members of the committee to participate in the review if he deemed it appropriate.

Resolved

- (1) That the Statement of Accounts for 2014-15 be approved.
- (2) That the Letter of Representation for 2014-15 be approved.
- (3) That authority be delegated to the Chief Executive, in consultation with the Chairman, to oversee the independent review which would report its findings and recommendations to the Accounts, Audit and Risk Committee.

The meeting ended at 2.30 pm

Chairman:

Date: