

## **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 September 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

Also Present: Maria Grindley, District Auditor, Audit Commission

Nicola Jackson, Audit Manager, Audit Commission

Katherine Bennett, Audit Team Leader, PricewaterhouseCoopers

Apologies for absence: Councillor Lawrie Stratford

Councillor Rose Stratford

Officers: Mary Harpley, Chief Executive and Head of Paid Service

Martin Henry, Chief Finance Officer / Section 151 Officer

Chris Dickens, Chief Internal Auditor

Karen Curtin, Head of Finance

Jessica Lacey, Technical Accountant

Natasha Clark, Senior Democratic and Scrutiny Officer

#### **22 Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

#### **24 Communications**

The Chairman advised the Committee that the Head of Finance had successfully passed her Accountancy exams. The Committee joined the Chairman in congratulating the Head of Finance on her magnificent achievement. The Chief Executive echoed the sentiments of the Committee and added her congratulations to the Head of Finance.

The Chief Executive thanked the Chief Finance Officer / S151 Officer for his hard work with the Finance Team and support to Cherwell District Council over the past 6 months. In particular, she thanked the Chief Finance Officer and Head of Finance for all their hard work supporting Cherwell District Council. The Chairman also thanked the Finance Team for the tremendous amount of preparatory work that had already taken place as part of the 2011/12 budget setting process.

25 **Urgent Business**

There was no urgent business.

26 **Minutes**

The Minutes of the meeting held on 23 June 2010 were agreed as a correct record and signed by the Chairman.

27 **2009/10 Statutory Accounts**

The Head of Finance submitted a report which presented the 2009/10 Audited Financial Statements and Annual Governance Statement for consideration and sought to obtain official sign-off by the Chief Financial Officer, Chairman of Accounts, Audit and Risk Committee, Chief Executive, Leader of the Council and District Auditor.

The Head of Finance reported the Finance Team had implemented 4 changes that had been requested by external audit and 17 minor presentation changes to the Statement of Accounts "Subject to Audit" 2009/10 as adopted by the Accounts, Audit and Risk Committee on 23 June 2010.

The Committee noted the continued improvement the Council had made in the closedown process and commended the Finance Team for all their hard work and efforts throughout the process and requested that the entire the Team be advised of Members' satisfaction with the documents presented. The Committee assured the External Auditors that the Council would not be satisfied with merely maintaining the current standard, rather it would continue to look forward and continually seek to improve further.

**Resolved**

- (1) That the adjustments to the financial statement made subsequent to the adoption of the draft accounts on 23 June 2010 be noted.
- (2) That the 4 changes requested by external audit be noted.
- (3) That the continued improvement in the closedown process and positive impact on the audit opinion and Value For Money judgement be noted.
- (4) That, subject to reviewing the contents of the Annual Governance Report, the 2009/10 financial statements be approved.

28 **Annual Report and Summary of Accounts 2009/10**

The Head of Finance submitted a report which sought approval for the combined Annual Report and Summary of Accounts 2009/10. The Technical Accountant distributed an updated version which incorporated changes that had been made since the publication of the agenda.

Members of the Committee commented that the Annual Report and Summary of Accounts provided an invaluable opportunity to present its achievements to local businesses and residents. The Committee requested a copy of the Annual Report be sent to all elected Members for information.

The Committee thanked the Finance Team for their hard work in producing the Annual Report and Summary of Accounts 2009/10. The Chief Executive echoed the sentiments of the Committee and thanked the Finance Team for producing an excellent set of accounts.

**Resolved**

- (1) That the Annual Report and Summary of Accounts 2009/10 be approved for publication.
- (2) That a copy of the Annual Report and Summary of Accounts 2009/10 be sent to all elected Members.

29 **External Audit Annual Governance Report**

The District Auditor, Audit Commission presented the External Auditors Annual Governance Report to the Committee, which included comments on the audit of the 2009/10 Statement of Accounts and judgement against the Value for Money (VFM) criteria.

The District Auditor reported that Cherwell District Council had carried out an excellent closedown process and produced the best working papers and set of accounts of all the sets she had signed off. The Council would receive an unqualified opinion on the 2009/10 financial statements and a positive value for money conclusion. The District Auditor thanked the Finance Team for all their hard work in producing an exemplary set of accounts.

Members of the Committee commented that they were very pleased to receive such positive feedback and echoed the sentiments of the District Auditor in praising the Finance Team. The Committee and Chief Executive also thanked the External Auditors for their guidance and support.

In response to Members' questions, the District Auditor updated the Committee on the future external audit arrangements in light of the Government's announcement in August that the Audit Commission would be disbanded. She reported that until 2012 the Audit Commission would continue to provide the same service to Local Authorities in terms of auditing accounts and Annual Governance reports. It was anticipated that draft legislation would

be published in the autumn which set out the design of the future regime and arrangements for local audit.

**Resolved**

- (1) That the 2009/10 financial statements be approved.
- (2) That the adjustments to the financial statements be noted.
- (3) That the letter of representation on behalf of the Council be approved.
- (4) That it be noted that all of the Criteria for the Value for Money Assessment have been met.
- (5) That the proposed action plan be agreed.

Note: Following consideration of this item and in accordance with the Accounts and Audit Regulations, the Chairman signed the letter of representation on behalf of the Council, the Chairman and Chief Finance Officer signed the 2009/10 Statement of Accounts and the Chief Executive and Leader of the Council signed the Annual Governance Statement and the District Auditor signed the Independent Auditor's report to members of Cherwell District Council.

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**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 for the period from June to September 2010. The Committee was advised that 36% of the plan had been completed and the remainder would be completed by the end of the financial year.

The Audit Team Leader reported that since the start of the financial year five final reports had been issued, assurance provided on one area and draft reports had been issued and/or fieldwork had commenced in five areas.

The Audit Team Leader updated the Committee with a summary of the activity of the Benefits Investigation Team from April – July 2010. The Team had received 112 referrals and had a sanctions success rate of 58.50% against a target of 50%

The Chief Internal Auditor advised the Committee that the Internal Audit Charter had been updated to reflect the requirements of the Audit Commission Triennial Review. This would be presented to the Committee's December meeting.

**Resolved**

- (1) That the Internal Audit Progress report be approved.

31 **Overview of Treasury Management Performance April - August 2010**

The Committee considered a report of the Head of Finance which updated Members on the actual return on investments for the period from 1 April 2010 to 31 August 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 performance for to August 2010 showed a small positive variance and, at present, the interest received looked set to stay on track for the remainder of 2010/11.

The Head of Finance advised the Committee that on the advice of the Council's treasury advisors, the Portfolio Holder Resources and Communication had agreed that the cash limit the Council invests with any bank one banking group be increased from £8m to £15m. This was due to a reduction in the Council's counterparty list which had resulted in difficulties finding places to invest funds.

The Head of Finance reported that the Treasury Management function had undergone its internal audit during the first quarter of 2010/11. The audit had given a 'high assurance' rating. The report had noted an improvement in the performance of the Treasury Management function since 2009/10.

The Head of Finance updated Members on the current situation regarding the Council's investments with the failed Icelandic bank Glitnir. The Council had not been given preferential status and would therefore only recover 31% of the £6.5m investment balance. The objections of all Local Authorities to their creditor status would be considered under Icelandic insolvency law and legal arguments to support the preferred creditor status for 14 test cases (3 of which represented Cherwell deposits) had been presented to Icelandic Courts in September 2010. A further update would be provided to the Committee's December meeting.

**Resolved**

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

32 **Update on International Financial Reporting Standards (IFRS)**

The Committee considered a report of the Head of Finance which updated Members on the Council's progress towards International Financial Reporting Standards (IFRS) and completing the 2010/11 Statement of Accounts under these new standards.

The Head of Finance advised the Committee that the IFRS Project Group was holding regular meetings to ensure the smooth transition of the accounts, which would be facilitated by the publication of the CIPFA Guidance Notes in

December 2010. She reported that the District Auditor had offered to present an overview of the IFRS to Members at the Committee's December meeting.

**Resolved**

- (1) That the contents of the report and the officers' proposed actions to deal with the implementation of International Financial Reporting Standards be noted.
- (2) That an IFRS training session facilitated by District Auditor be held at the Accounts, Audit and Risk Committee's December meeting.

33 **AARC Forward Plan**

The Head of Finance gave a verbal update on the Accounts, Audit and Risk Committee's work programme.

34 **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 they could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.

35 **Treasury Report - Exempt Appendix 1**

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 August 2010.

**Resolved**

- (1) That the exempt annex be noted.

The meeting ended at 8.00 pm

Chairman:

Date: