

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 11 January 2012 at 6.30 pm

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

Councillor Andrew Beere
Councillor Colin Clarke
Councillor Mike Kerford-Byrnes

Also Present: Councillor Nigel Morris, Lead Member for Change
Maria Grindley, District Auditor, Audit Commission
Nicola Jackson, Audit Manager, Audit Commission
Richard Bacon, Internal Audit
Katherine Bennett, Audit Team Leader, Internal Audit

Apologies for absence: Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Officers: Karen Curtin, Head of Finance and Procurement
Claire Taylor, Corporate Performance Manager
Chris Dickens, Chief Internal Auditor
Natasha Clark, Team Leader, Democratic and Elections

37 Declarations of Interest

There were no declarations of interest.

38 Petitions and Requests to Address the Meeting

There were no petitions or requests to address the meeting.

39 Urgent Business

The Chairman reported that he had agreed to add one item of urgent business to the agenda: A Shared Risk Management Strategy for Cherwell District and South Northamptonshire Councils. This was to enable Committee members to consider the draft Strategy before the final version was submitted to the Committee's March meeting for approval. The item would be considered between agenda items 5 and 6.

40 **Minutes**

The Minutes of the meeting of the Committee held on 21 September 2011 were agreed as a correct record and signed by the Chairman.

41 **Risk Management: A Shared Risk Management Strategy for Cherwell District and South Northamptonshire Councils**

The Committee considered a report of the Corporate Performance Manager which proposed a shared approach to risk management across the Cherwell and South Northamptonshire Joint Management Team. This was an opportunity for the Committee to consider the draft strategy before it was submitted to their March meeting for approval.

The Corporate Performance Manager explained that Cherwell District Council (CDC) reviewed its risk management strategy annually. The context for the 2012/13 review had changed in light of the implementation of the Joint Management Team with South Northamptonshire Council (SNC). The existing CDC and SNC risk management strategies had been examined and a draft joint risk management strategy developed. The draft strategy proposed risk management arrangements for both authorities whilst ensuring each council remained sovereign and maintained their own specific risk registers.

Resolved

- (1) That the proposed approach be noted.
- (2) That officers be requested to bring back a final draft of the risk management strategy and supporting documentation to the March Accounts, Audit and Risk Committee.

42 **Certification of Claims and Returns 2010/11 - Audit Commission**

The Head of Finance and Procurement submitted a report which allowed consideration of the Certificate of Claims and Returns Report 2010/11 produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council.

In introducing the report, the Audit Manager advised the Committee that the Audit Commission was responsible for certifying claims and returns to the value of £106m in 2010/11. A limited review of two claims and a full review of one claim were performed. No errors were found in the two limited reviews. The full review, which related to the housing and council tax benefit scheme required full certification due to a number of errors.

The Audit Manager reported that the housing and council tax benefit subsidy was adjusted as a result of the audit and follow up work was carried out on the pooling of housing capital receipts claims. Due to the errors the Audit Manager undertook extended testing of error rates which gave an

extrapolated value across all the cases in the benefit claim. The value of the extrapolated errors took CDC over the threshold for local authority error which meant the Council could lose subsidy.

The Head of Finance and Procurement advised Members that three areas identified within the claim were being examined in detail by the finance team and further testing was underway to determine if this produced a reduced error rate. The Committee was advised that everything possible was being done to mitigate the matter and ensure that the financial cost to the authority was minimal. The Lead Member for Financial Management had been fully briefed on the matter and was supporting the development of a detailed internal action plan to address the matter.

Members agreed that they would like to receive an update report at the Committee's March meeting on the outcomes of the additional testing and proposals for future monitoring arrangements with Capita, who carried out the transactional element of the benefits claim process.

Resolved

- (1) That the contents of the Certification of claims and returns - annual report be noted.
- (2) That the agreed Action Plan in response to the Audit Commission Report be noted.
- (3) That a further report be submitted to the March meeting of the Accounts, Audit and Risk Committee reporting on the outcomes of the additional testing and proposals for future monitoring arrangements with Capita.

43

Annual Audit Letter 2010/11

The Committee considered a report of the Head of Finance and Procurement which informed the committee of the Annual Audit Letter as prepared by the Audit Commission. The report summarised the findings from the 2010/11 audit of the financial statements and an assessment of the arrangements to achieve value for money in the Council's use of resources.

The District Auditor reported that all work on the financial statements was complete and an unqualified opinion on the statements and value for money conclusion was given on 26 September 2011. The Council received an unqualified conclusion on its arrangements for securing economy, efficiency and effectiveness in the use of resources.

Resolved

- (1) That the contents of the Annual Audit Letter be noted.

44 **External Audit Progress Report**

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

The Audit Manager confirmed that all of the external auditors work for 2010/11 had been completed and planning for the 2011/12 areas of work was underway.

Resolved

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

45 **External Audit Annual Plan 2011/12**

The Committee considered a report of the Head of Finance and Procurement which set out the work that the Audit Commission would undertake in order to form an opinion on the financial statements for 2011/12 taking into account risk which satisfied their responsibilities under the Audit Commission's Code of Audit Practice.

In introducing the report, the District Auditor advised the Committee that two significant risks had been identified: Icelandic banks and Cash collection. Both risks would be reviewed throughout the year.

Resolved

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

46 **Internal Audit Progress Report**

The Committee considered a report of the Chief Internal Auditor which summarised the progress made against the internal audit plan 2011/12 for the period from September 2011 to January 2012. The Committee was advised that 61% of the plan had been completed which was in line with the agreed profile of work within the internal audit plan.

The Audit Team Leader reported that following the finalisation of the Joint Management Team with South Northamptonshire Council, the internal auditors had reviewed the 2011/12 internal audit plan to ensure it continued to address the risks of the authority. As a result of this review, some changes had been made to the programme of work to incorporate work on IT, Housing Benefits and a Groups Systems workshop.

The Audit Team Leader advised the Committee that since their September meeting five final reports had been issued and draft reports and/or fieldwork commenced in four areas. In addition work had been performed on three further areas.

Resolved

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

47 **Internal Audit Charter**

The Committee considered a report of the Chief Internal Auditor which presented the Internal Audit Charter 2011/12. The Committee was advised that the Charter set out the rationale for how internal audit operated and was reviewed annually.

Resolved

- (1) That the report be noted.

48 **Joint Working Protocol - Internal and External Audit**

The Committee considered a report of the Head of Finance and Procurement which presented the draft joint working protocol - internal and external audit.

The District Auditor advised the Committee that the protocol set out arrangements to support the commitment of the council's internal and external auditors to apply audit resources efficiently and represent good value for money by working together effectively.

Resolved

- (1) That the joint working protocol - internal and external audit be noted.

49 **Treasury Management Report**

The Committee considered a report of the Head of Finance and Procurement which presented information on treasury management performance and compliance with treasury management policy for Quarter 3 2011/12 as required by the Treasury Management Code of Practice.

The Head of Finance and Procurement reported that at the end of 31 December 2011 interest received on the Council's investments was higher than budgeted. The Committee was advised that as result of a number of banks being downgraded over the past three months, the Council's treasury management advisors were recommending shorter investment duration than previously recommended.

The Head of Finance and Procurement updated Members on the Iceland funds. The Council had received information relating to the currencies that the deposits would be rapid in. Arrangements for currency conversion had been made, however information relating to the timing of these payments was still awaited.

Resolved

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

50 **Accounts, Audit and Risk Committee Work Programme**

The Head of Finance and Procurement submitted the 2011/12 Accounts, Audit and Risk Committee Work Programme for information.

Resolved

- (1) That the 2011/12 Accounts, Audit and Risk Committee Work Programme be noted

51 **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 items 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.

52 **Treasury Management Report - Exempt Appendices 1a and 1b**

The Committee considered the exempt annexes to the Report of the Head of Finance and Procurement which updated Members on the Council's investments and counterparties at 30 November 2011.

Resolved

- (1) That the exempt annexes be noted.

The meeting ended at 8.00 pm

Chairman:

Date: