

Committee: Accounts, Audit and Risk Committee
Date: Monday 26 October 2009
Time: 6.00 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor John Donaldson
(Chairman)
Councillor Ken Atack
Councillor Simon Holland

Councillor Trevor Stevens (Vice-Chairman)
Councillor Devena Rae
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Substitutes Any member from the relevant political group

AGENDA

1. Declarations of Interest

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

2. Petitions and Requests to Address the Meeting

The Chairman to report on any requests to submit petitions or to address the meeting.

3. Urgent Business

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

4. Minutes (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 23 September 2009.

5. **Overview of Treasury Management Performance**

** Further information on this item will be available and circulated before the meeting **

Report of Head of Finance

Summary

This report details the actual return on investments for the quarter to September 2009, details the counterparties that have been used for investments and considers compliance with the investment strategy.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- 1) Note the contents of the report and performance to date.
- 2) Note the procurement process and timetable for the retender of the treasury management advisory contract.

6. **Management of Risk and Insurance** (Pages 7 - 22)

Report of Head of Improvement

Summary

To seek the views of the Committee on the arrangements for managing risk management and insurance.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- 1) Note the decision of the Executive of 5 October 2009 regarding the future management of risk management and insurance and to give its views about the future arrangements.
- 2) Receive a further report on the future management arrangements when the details have been confirmed.

7. **Internal Audit Progress Report** (Pages 23 - 38)

Report of Chief Internal Auditor

Summary

This report provides the Committee with an update of the work of Internal Audit since the last meeting

Recommendation

The Accounts, Audit and Risk Committee is recommended to consider and approve this report.

8. New Reporting Line Arrangements for Internal Audit (Pages 39 - 42)

Report of Chief Executive

Summary

To share with Members of the Committee the options under consideration for the new reporting line arrangements for Internal Audit following the removal of the post of Strategic Director, Customer Service and Resources from the staffing structure.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- 1) Note the options under consideration and provide views on these.
- 2) Ask the Chief Internal Auditor to revise the charter for Internal Audit once the final decision on reporting arrangements has been made and to bring this to the Committee's December meeting for consideration.

9. Verbal Updates

- a) Accounts, Audit and Risk Committee Member Training – Chairman to report
- b) Proposed Future Permanent Arrangements for Internal Audit – Chief Internal Auditor to report

10. Exclusion of the Press and Public

The following report contains exempt information as defined in the following paragraphs of Part 1, Schedule 12A of the Local Government Act 1972.

1– Information relating to any individual.

2 – Information which is likely to reveal the identity of an individual.

3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are reminded that whilst the following item has been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.

Should Members decide not to make a decision in public, they are recommended to pass the following recommendation:

“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 paragraphs 1 and 2 of Part 1, Schedule 12A of that Act.”

11. **Exempt Minutes** (Pages 43 - 44)

To confirm as a correct record the Exempt Minutes of the meeting of the Committee held on 23 September 2009.

Information about this Agenda

Apologies for Absence

Apologies for absence should be notified to democracy@cherwell-dc.gov.uk or 01295 221589 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item. The definition of personal and prejudicial interests is set out in Part 5 Section A of the constitution. The Democratic Support Officer will have a copy available for inspection at all meetings.

Personal Interest: Members must declare the interest but may stay in the room, debate and vote on the issue.

Prejudicial Interest: Member must withdraw from the meeting room and should inform the Chairman accordingly.

With the exception of the some very specific circumstances, a Member with a personal interest also has a prejudicial interest if it is one which a Member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Queries Regarding this Agenda

Please contact Natasha Clark, Legal and Democratic Services natasha.clark@cherwell-dc.gov.uk (01295) 221589

Mary Harpley
Chief Executive

Published on Friday 16 October 2009

Agenda Item 4

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 23 September 2009 at 6.30 pm

Present: Councillor John Donaldson (Chairman)

Councillor Trevor Stevens (Vice-Chairman)

Councillor Ken Attack

Councillor Devena Rae

Councillor Lawrie Stratford

Councillor Rose Stratford

Also present: Maria Grindley, Appointed Auditor, Audit Commission
Nicola Jackson, Audit Manager, Audit Commission

Apologies for absence: Councillor Barry Wood

Officers: Mary Harpley, Chief Executive and Head of Paid Service
Julie Evans, Strategic Director Customer Service and Resources
Ian Davies, Strategic Director - Environment and Community
Chris Dickens, Chief Internal Auditor
Karen Curtin, Head of Finance
Pat Simpson, Head of Customer Service & Information Systems
Jessica Lacey, Technical Accountant
Natasha Clark, Trainee Democratic and Scrutiny Officer

12 **Declarations of Interest**

There were no declarations of interest.

13 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

14 **Urgent Business**

There was no urgent business.

15 **Minutes**

The minutes of the meeting held on 24 June 2009 were agreed as a correct record and signed by the Chairman.

16 **Statement of Accounts 2008/2009**

The Head of Finance submitted the Statement of Accounts 2008/2009, together with the letter of representation for the Committee's consideration.

The Head of Finance advised the Committee that the finance team had implemented a total of 4 adjustments to the Statement of Accounts "Subject to Audit" 2008/2009 that had been adopted by the Accounts, Audit and Risk Committee on 24 June 2009.

The Head of Finance reported that the Use of Resources judgement associated with the financial statements was included within the theme "managing finance" and had been given a score of 3 by the Audit Commission

The Head of Finance informed the Committee that the Audit Commission had sent a letter to those charged with governance (the Accounts, Audit and Risk Committee) requesting details of the arrangements in place to ensure compliance with International Auditing Standards. The Committee considered the response to the Audit Commission, which had been signed by the Chairman of the Accounts, Audit and Risk Committee and the Chief Financial Officer.

The Committee noted that continued improvement was being made in the closedown process and thanked all staff in the Closedown Team for their hard work in preparing the Statement of Accounts 2008/2009.

Resolved

- 1) That the adjustments to the financial statement made subsequent to the adoption of the draft accounts on June 24 2009 as detailed in paragraphs 5.1 of the report and appendix 1 (as set out in the minute book) be noted.
- 2) That the 3 minor changes requested by external audit detailed in appendix 1 and the audited Statement of Accounts 2008/09 in appendix 2 (as set out in the minute book) be noted.
- 3) That the continued improvement in the closedown process and Use of Resources score be noted.
- 4) That the contents and assurances given in response to the Audit Commission's letter regarding 'Compliance with International Auditing Standards – Enquiries of those charged with governance' be noted.

Note: Following the Committee's consideration of this item, and in accordance with the Accounts and Audit Regulations, the Statement of Accounts 2008/2009 was signed by the Chairman and Chief Financial Officer, the

Annual Governance Statement was signed by the Chief Executive (and would be signed by the Leader the following day).

17 **Annual Report and Summary of Accounts 2008/2009**

The Strategic Director Customer Service and Resources and the Head of Finance submitted the Annual Report and Summary of Accounts 2008/2009 for the Committee to consider.

The Strategic Director Customer Service and Resources distributed an updated version of the report which incorporated changes that had been made following consideration by the Executive on 7 September 2009.

The Committee noted that the report and summary provided an opportunity for the Council to present its achievements to local residents and businesses. Members also noted that the 2008/2009 report and summary also recognised achievements that had been delivered through successful partnership working.

The Committee thanked the finance team for their efforts in producing the Annual Report and Summary of Accounts 2008/2009.

Resolved

That the Annual Report and Summary of Accounts 2008/2009 be approved for publication.

18 **External Audit Annual Report**

Maria Grindley (Appointed Auditor, Audit Commission) presented the External Auditors Annual Governance Report to the Committee, which included comments on the audit of the 2008/2009 Statement of Accounts; Value for Money (VFM) judgement and a range of important broader issues covered in the first Use of Resources exercise under the new regional based corporate assessment process (Comprehensive Area Assessment).

The Appointed Auditor reported that Cherwell District Council had made excellent progress to the closedown process which had resulted in an exemplary set of accounts.

The Appointed Auditor advised the Committee that the Use of Resources Judgement forms part of the Councils overall organisational assessment under the new Comprehensive Area Assessment. Cherwell District Council had achieved a judgement score of 3 in each of the use of resources themes: Managing finances; Governing the business; and, Managing resources. The Council had also scored a judgement of 3 in all of the underlying key line of enquiries.

The Appointed Auditor commented that a judgement score of 3 was an excellent outcome for Cherwell. She advised the Committee that the Use of Resources assessment was a more challenging assessment that focused on

processes, outcomes and meeting priorities as well as the statement of accounts.

The Committee commented that they were very pleased to have achieved a judgement of 3 and thanked officers for all their hard work. Members noted that the biggest difference in the Use of Resources assessment was that it went beyond looking at accounting errors and also took into consideration the Council's strategies, implementation of these and outcomes, which were important to residents in the district. The Committee assured the external auditors that the Council would continue to look forward and continually seek to improve further.

Resolved

- 1) That the financial statements be approved and recommended to Council.
- 2) That the Value for Money Conclusion and Use of Resources score be noted.
- 3) That the letter or representation on behalf of the Council be approved.

19

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 2009/2010 for the period from June to September 2009. The Committee was advised that 30% of the plan had been completed and that the remainder would be completed by the end of the financial year. The Chief Internal Auditor advised the Committee that a more detailed IT audit plan had been produced following a recent risk assessment of IT.

The Chief Internal Auditor noted that the internal audit team were satisfied with the good effective working relationship they had developed with officers and the Accounts, Audit and Risk Committee.

Katherine Bennett (Audit Team Leader, PriceWaterhouseCoopers) reported that since the Accounts, Audit and Risk Committee meeting of 24 June 2009, three final reports had been issued, six reports were in draft format and fieldwork had commenced in one area.

Members of the Committee sought assurance that action was being taken to implement the recommendations of the internal audit team. Officers advised the Committee that future progress reports would include an update tracking progress on all internal audit recommendations.

The Chief Internal Auditor updated the Committee on the work of the Benefits Investigation Team. In response to questions from Members, officers advised the Committee that the council's success rate in recovering debt is comparatively high.

The Chief Executive updated the Committee on the interim management arrangements in place for the internal audit team within the Council's management structure. She advised Members that a report detailing the permanent arrangements would be presented to the Committee's October meeting.

Resolved

- 1) That the internal audit progress report be approved.
- 2) That a report outlining the permanent management arrangements for the internal audit team within the Council's management structure be submitted to the Committee's October meeting.

20 **Verbal Updates**

Member Training

The Chairman reported that a training session for members on Local Government Finance and Treasury Management would be held on 26 October 2009 following the Committee's meeting. The Committee agreed that their meeting would start at 6.00 pm on this date.

The Chairman advised the Committee that he and the Trainee Democratic and Scrutiny Officer would be attending a CIPFA Better Governance Forum training event on 'The Effective Audit Committee' on 30 September 2009.

21 **Exclusion of the Press and Public**

Resolved

That, in accordance with Section 100A(4) of the 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 paragraphs 1, 2 and 3 of Schedule 12A of that Act.

22 **Serious Incident Review Meeting**

The Committee considered a report of the Serious Incident Review Panel. Councillor Rae, Chairman of the Serious Incident Review Panel, presented the report which outlined the Panel's investigation and recommendations.

Resolved

- 1) That the Significant Control Weakness Review Procedure Note (as set out in the annex to these minutes) be approved.
- 2) That the recommendations of the Serious Incident Review Panel meeting (as set out in the exempt minute) be approved.

- 3) That the Head of Internal Audit be requested to bring a progress report to the Committee's January meeting.

23 **Strategic Director Customer Service and Resources**

The Chairman advised the Committee that this would be the Strategic Director Customer Service and Resources' last Accounts, Audit and Risk Committee meeting as she was be leaving Cherwell District Council to take up a new role as Director of Resources at Slough Borough Council in October 2009.

The Committee thanked the Strategic Director Customer Service and Resources for all her advice, support and guidance to the Committee and in all areas of finance. The Chief Executive also thanked the Strategic Director Customer Service and Resources and commented that much had been achieved under her leadership and direction.

The Committee and Officers wished the Strategic Director Customer Service and Resources all the best for her new role.

The meeting ended at 8.15 pm

Chairman:

Date:

Accounts, Audit and Risk Committee

Management of Risk and Insurance

26 October 2009

Report of Head of Improvement

PURPOSE OF REPORT

To seek the view of the Committee on the arrangements for the management of risk management and insurance.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the decision of the Executive of 5 October 2009 regarding the future management and insurance and to give its views about the future arrangements.
- (2) Request to receive a further report on the future management arrangements when the details have been confirmed.

Executive Summary

Introduction

- 1.1 This report sets out key changes proposed to the future management of risk management and insurance that will have implications for the work of the Risk and Audit Committee. These came from the Value for Money Review of Insurance which was considered by the Executive 5 October 2009.
- 1.2 The Council employs a Risk Management and Insurance Officer to provide the corporate lead on these areas. Because of the links between risk and insurance the Value for Money review provided the opportunity to consider the most cost effective way of managing these functions. At the same time as this review we commenced a project to

transfer the routine monitoring of risk to the council's corporate Performance Management Framework. This will be fully integrated from 1/4/10 thus relieving the Risk Management and Insurance Officer from this responsibility. This approach is supported by a recommendation in an internal audit report on risk management that proposed the role of the Risk Management and Insurance Officer should move away from routine monitoring of risk to a more strategic one of identifying emerging risks, sharing best practice, and working with managers to mitigate risks. This in turn links to the outcome of this review that will reduce the overall administration of insurance and place a greater emphasis on managers to managing having a greater responsibility.

Proposals

- 1.3 To note the decision of the Executive of 5 October 2009 regarding the future management of risk management and insurance and for the risk and Audit Committee to give its views about the future arrangements.

Conclusion

- 1.4 The outcome of the Value for Money review of Insurance offers the prospect of achieving financial savings whilst delivering service improvements. To ensure the future management arrangements are satisfactory Improvements identified from the review will reduce the council's cost base and place a greater emphasis on improving the Council's management of risk rather than relying on insurance cover.

Background Information

- 2.1 The Executive 5 October 2009 considered a report on the outcome of the Value for Money Review of Insurance and agreed the following.
 - (1) Note the overall conclusion of the review that the function is relatively high cost with average performance levels but is high quality in terms of the qualifications of staff employed and low level of claims payments made.
 - (2) Agree the Council will move away from the current policy of transferring the majority of council risk to an insurer, to one of self insuring a larger proportion of risk given the very low of claims currently experienced. This will be achieved by:
 - a. Discontinuing unnecessary insurance policies and increase excesses on the remaining policies. This will deliver savings of £65,813 in 2010/11.

- b. Determining claims in-house rather than pass to insurers to settle. Injury claims should continue to be handled by insurers given the complexity, potential high cost and the expertise needed in determining settlement figures;
 - c. Transferring the £500,000 reserve fund for the Spiceball reconstruction, following the completion of that project, to the Self Insurance Reserve which currently has a balance of £300,000.
- (3) Agree to achieve a net saving of £15,000 in the management of insurance and risk by:
- a. Deleting the post of Risk Management and Insurance Officer in its current form with a gross saving of up to £46,244.
 - b. Transferring the corporate responsibility for the management of insurance to The Head of Finance, with the operational administration of claims delegated to Heads of Service and operational administrative teams;
 - c. Market testing for an external provider to deliver the corporate management of risk (but not the routine performance management of risk).
 - d. Using the balance from a. to fund the costs of b. and c.
- (4) Agree that in advance of letting the new insurance contract from 2011/12 officers will explore the opportunities for achieving further financial savings through consortia purchasing and sharing support and expertise with other local authorities.

VFM Review Findings - Insurance

2.2 Key findings from the VFM review are as follows:

- The insurance and risk function is managed by the Risk Management & Insurance Officer at a cost of £46,244, with a 40%/60% split of time spent on insurance and risk activity.
- Cherwell has seen its number of insurance claims reduce by 81.7% between 2003/04 and 2008/09 (202 claims to just 37). This can be attributed to reductions in its risk exposure from losing key functions (council housing, leisure centres) having fewer staff and vehicles, and through improved risk management. This improvement has continued into 2009/10 with just 16 claims in the period April – September.
- In contrast insurance premiums have reduced by just 32.8% over the same period (£464,095 to £311,835). The cost of premiums for 2009/10 reduced by a further 10.1% from 2008/09 (a cumulative reduction of 39.6%).
- Cherwell has excessive insurance cover, holding 20 different policies with premiums ranging from £86,000 to just £52. The level of cover these provide ranges from £1m to £53.7m (terrorism).

These are set out in Annex 2 of Appendix 1.

- At the same time it has exceptionally low (or no) excess values on its insurance policies other than professional indemnity and fidelity guarantee. For example, the benchmark average excess for motor policies (all vehicles) is £38,200; Cherwell's highest motor excess is £500 (commercial vehicles). For 55% of policies it does not operate any excess
- Claims handling is expensive. The average benchmark cost for 2007/08 was £307.70 per claim. Cherwell's cost per claim for 2008/09 was £566.68 due to the low number of claims it deals with. For example, public liability claims were 0.7 per 1,000 of population compared to the benchmark average of 2.9

Future Management of Risk Management and Insurance

- 2.3 The VFM review and work on risk management that was underway in parallel presented an opportunity to consider the most cost effective way of managing these functions in the future. This was particularly important given the Council's need to achieve significant financial savings to deliver the Medium Term Financial Strategy.
- 2.4 As shown above there was a dramatic decrease in the number of insurance claims made in 2008/09 (which has continued into 2009/10). The majority of the claims relate to commercial and leased vehicles. The phasing out of the car leasing scheme will reduce claims further and the Head of Environmental Services is committed to reducing the number of commercial vehicle claims. This continued decrease in claims has reduced the management burden in the Council. However with the proposed reduction in the level of insurance cover there is a greater responsibility on managers to manage the risk associated with this. Because of this it is proposed that the operational administration of claims is delegated to Heads of Service and operational administrative teams. There will still be a need for some, reduced, capacity to co-ordinate the negotiation of the insurance contract , provide advice on technical matters, ensure there are consistent procedures in place across the Council, and monitor performance. It is proposed to transfer the corporate responsibility for the management of insurance to The Head of Finance who will arrange for this support to be provided.
- 2.5 As from 1 April 2010 the routine performance management of risk will be integrated into the Corporate Performance Management Framework and the administrative aspects of risk management undertaken by the corporate Performance Officer. This will enable a clearer focus on the strategic management of risk (identifying the risks we face and supporting managers in mitigating them). It is proposed this can be achieved effectively and with a cost saving by using an external provider with risk management expertise to provide this strategic support

- 2.6 Because 2010/2011 is the final year of the current insurance contract this report has concentrated on achieving savings for the next financial year. With a new contract to be negotiated there is the opportunity to consider achieving further savings. As well as seeking further reductions in premiums on an individual contract these could also be delivered through joining with other local authorities to form a purchasing consortium and thereby achieve economies of scale or to share in house expertise and support.

Implications

- Financial:** The following comments were made by the Head of Finance regarding the VFM Review of Insurance. The review has demonstrated that Insurance is a high cost service. Savings of £65,813 have been identified on the premiums payable for 2010/11. There is also a proposed net saving of £15,000 from the deletion of the post of Risk Management and Insurance Officer in its current form. The gross amount is £46,244 though this is offset by the costs of continuing arrangements to support the management of risk and insurance in the Council.
- Comments checked by Karen Curtin, Head of Finance 01295 221151
- Legal:** Some elements of insurance cover are a statutory requirement (e.g. motor insurance) and so must be retained.
- Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686
- Risk Management:** The following comments were made by the Risk Management and Insurance Officer regarding the VFM Review of Insurance. It is proposed that to secure greater cost effectiveness the council shifts its emphasis from transferring the majority of its risk to an insurer, to self insuring a larger proportion of its risk given the very low of claims it currently experiences. This will require the council to increase its risk 'appetite' to be commensurate with this claims experience through lower levels of insurance cover and higher excesses. An assessment of the risks in reducing cover/increasing excesses has been provided in Annex 3 of the VFM report
- Comments checked by Rosemary Watts, Risk

Management and Insurance Officer 01295 221566

Human Resources

The member of staff affected by these changes will be covered by the Council's Redeployment policy.

Data Quality

Base data for the VFM review was obtained through 2007/08 CIPFA Benchmarking with 29 other district authorities. Other benchmarking data was obtained through questionnaires and discussions with comparator authorities. Data checks were carried out on any anomalous data to verify or correct.

Comments checked by Neil Lawrence, Project Manager, Improvement 01295 221801

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Insurance VFM Executive Summary
Background Papers	
Value for Money Review of Insurance. Executive October 5 2009	
Report Author	Mike Carroll, Head of Improvement
Contact Information	01295 227959 mike.carroll@Cherwell-dc.gov.uk

Insurance VFM Review

Executive Summary

Cherwell District Council

Timetable	Papers Finalised	Meeting Date
Project Sponsor	22 May 2009	N/A
CMT	Fri 29 May 2009	Wed 3 June 2009
Use of Resources	Thurs 11 June 2009	Mon 15 June 2009
Executive	23 September 2009	Mon 5 October 2009



Revision History		
Revision Date	Previous Revision Date	Summary of Changes
5 May 2009	28 April 2009	Conversion of project brief into summary findings, addition of benchmarking conclusions and recommendations
6 May 2009	5 May 2009	AD amendments
12 May 2009	6 May 2009	Amended table with policies, premiums and excess data.
22 May 2009	12 May 2009	Recommendations from project team and new Annex. Savings figure calculated. Additional data on comparisons used
9 June 2009	22 May 2009	Additional information from Insurers on savings. New information on costs
10 June 2009	9 June 2009	Feedback from CMT
3 Sept 2009	10 June 2009	Final savings figures from insurers

1. Value for Money Review of Insurance - Executive Summary

Introduction

Purpose of this report

- 1.1. This report details the findings of the VFM review of Insurance and makes recommendations for improving value for money.

Insurance; background

- 1.2. The Council purchases all its insurance cover from Zurich Municipal through a 5 year contract fixed for the first three years and negotiable in years 4 and 5. The contract ends in 2010/11 and so the opportunity exists to tender for a new contract from 2011/12.
- 1.3. Injury claims are always directed to the insurance company for decision with other claims handled by the Risk Management & Insurance Officer. These may also be passed to the Insurers/Loss Adjuster where necessary. An initial letter of repudiation is sent if liability is in doubt. Paperwork relating to repudiated claims is shredded after six months if the matter is not pursued.
- 1.4. All personal injury claims against the council must adhere to Woolf protocols in that a decision on liability must be made within 12 weeks of receiving relevant information.

Cherwell in context

- 1.5. Cherwell has seen its number of insurance claims reduce by 81.7% between 2003/04 and 2008/09 (202 claims to just 37). This can be attributed to reductions in its risk exposure from losing key functions (council housing, leisure centres) having fewer staff and vehicles, and through improved risk management. This is illustrated in Annex 1
- 1.6. In contrast insurance premiums have reduced by just 32.8% over the same period (£464,000 to £312,000). The cost of premiums for 2009/10 is £280,000, a reduction of 10.1% from 2008/09 (cumulative reduction of 39.6%).
- 1.7. Alongside the premium cost of £280,000 there are additional costs relating to engineering inspection (£3,100), hirers' liability (£1,000) and tenanted property insurance (£25,000), the latter two areas being recharged to end users.
- 1.8. Although claims are reducing overall, motor vehicle claims still attract relatively high levels of claim and cost; they make up 78% of total claims, 34% of total premiums and 86% of total claim payments.

Staffing

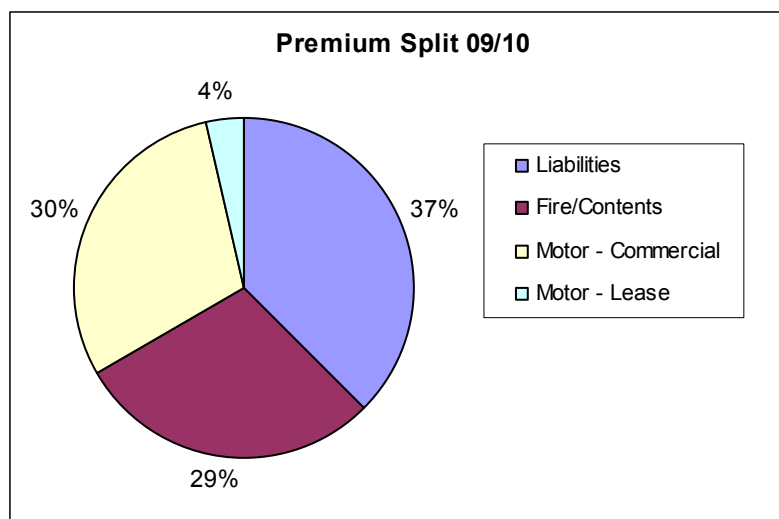
- 1.9. The Insurance function is located within the Exchequer Service. The service formerly operated with 1.4 FTE, comprising the Risk Management & Insurance Officer (RMIO) and a part-time administrative assistant, but has effectively operated with 1FTE for 12 months due to long term sickness. This reduction has been made permanent in 2009/10. The RMIO estimates she spends around 40% of her time on insurance matters.

Expenditure

- 1.10. The staffing budget for the function is as follows

	2008/09	2009/10
	Actual	Budget
Expenditure	£52,418	£46,244
Income	(£63,539)	(£46,242)
Net	(£11,120)	£2

- 1.11. The total premiums for 2009/10 are split as follows;



Findings from the Review

- 1.12. The review has used results from the 2008 CIPFA Insurance benchmarking club providing predominantly 2006/07 and 2007/08 comparative data. Direct contact was also made with seven other authorities, providing 2008/09 claims and 2009/10 premium comparisons.
- 1.13. Direct comparisons are difficult given the variance in service provision, type of buildings etc, but the evidence obtained is at least indicative of Cherwell's performance in comparison to the average authority.

VFM Conclusion

- 1.14. The overall conclusion of the review is that the function is **high cost**, has **average performance** in terms of its productivity, but is **high quality** in terms of the qualifications of staff employed and low level of payments made. Satisfaction has not been judged as part of this review.

Expenditure

- 1.15. Cherwell appears to spend around the average for its insurance cover overall;
- The average 2009/10 premium for those District Councils contacted was £284,000 per annum, slightly higher than Cherwell's premium of £280,000. However, this is not a comparable figure as it takes no account of individual authority circumstances (risk exposure or claims experience). Cherwell has the lowest level of public liability claims of the group.
 - Comparison of the costs of cover suggests Cherwell is often more expensive; the average insurance £% rate for buildings was 0.06%, compared to Cherwell's 0.08%; premium per vehicle (all types) was £850 compared to a benchmark average of £720. For commercial vehicles this is as high as £1,082 per vehicle for 2009/10, but as none of the local comparators uses their own freighters this cannot be compared.
 - In contrast, public liability premiums per head of population were £0.50 compared to a benchmark average of £1.00, and the premium rate per non-commercial vehicle was the 2nd cheapest at £366 per vehicle.

Staffing structure and productivity

- 1.16. Cherwell has highly qualified staff and a staffing level consistent with its claims experience;

- It is the council is the only council in the Oxfordshire area with a risk manager holding professional qualifications.
- It deals with fewer claims than benchmark authorities. For example, public liability claims were 0.7 per 1,000 population compared to the average of 2.9. Motor claims were 0.39 per vehicle per year (compared to the average of 0.51) and reduced in 2008/09 to just 0.25.
- Other District Councils have approximately 1 FTE working on insurance, though this activity is often combined with other roles. Cherwell has less staff directly employed on insurance (0.4FTE) and its FTE per 1,000 employees is lower than the benchmark average (0.7FTE compared to 1.7 FTE). This reflects the low level of claims experienced by the council.

Insurance cover and excess values

1.17. Cherwell has a high level of insurance cover and carries very little of the risk itself through policy excesses;

- Cherwell has 20 different insurance policies, with premiums ranging from £86,000 to just £52. The level of cover these provide ranges from £1m to £53.7m (terrorism). A full list of these policies and their premiums for 2009/10 is shown in Annex 2
- It has exceptionally low excess values on all insurance policies other than professional indemnity and fidelity guarantee. For example, the benchmark average excess for motor policies (all vehicles) is £38,000; Cherwell's highest motor excess is £500 (commercial vehicles). For 55% of policies it does not operate any excess.
- In 2008 Cherwell had the second highest level of cover for terrorism amongst benchmark authorities (£45m compared to an average of £11m) as the majority of its functions are delivered from a single high value property (Bodicote House). This cover increased in 2009/10 to £53.7m
- Cherwell has insured a fleet of 25 leased vehicles for staff at an annual cost of £9,290. New cars were being ordered for staff with a provision in their contractual terms and conditions as recently as June 2009. Latest indications show that the cost of cars has increased by 33% in a year.

Claims handling and self funding

1.18. Cherwell has a similar claims handling process to other authorities and does not self fund any claims, relying on insurers to fund any payments. Its unit cost of claims handling is high.

- The average benchmark cost of claims handling for 2007/08 was £307.70 per claim. Cherwell's cost per claim for 2008/09 was £567. This does not include the cost of dealing with repudiated claims which are estimated to be around one to two claims per week.
- A number of councils spread their insurance cover across more than one insurer, although the majority use Zurich Municipal for all of their cover.
- Most authorities contacted directly either send all claims to their insurers, or operate an initial 'sifting' similar to Cherwell. Amongst CIPFA benchmark authorities self funding of claims is more common practice, with 46.7% of benchmark authorities dealing directly with public liability claims over £5,000, and 33% with property claims. Cherwell currently does not settle any claims directly.
- Cherwell has a very low level of claim payments; the five year costs for claims are set out below. As a comparison the last five years costs for premiums were £1,735,000 in total

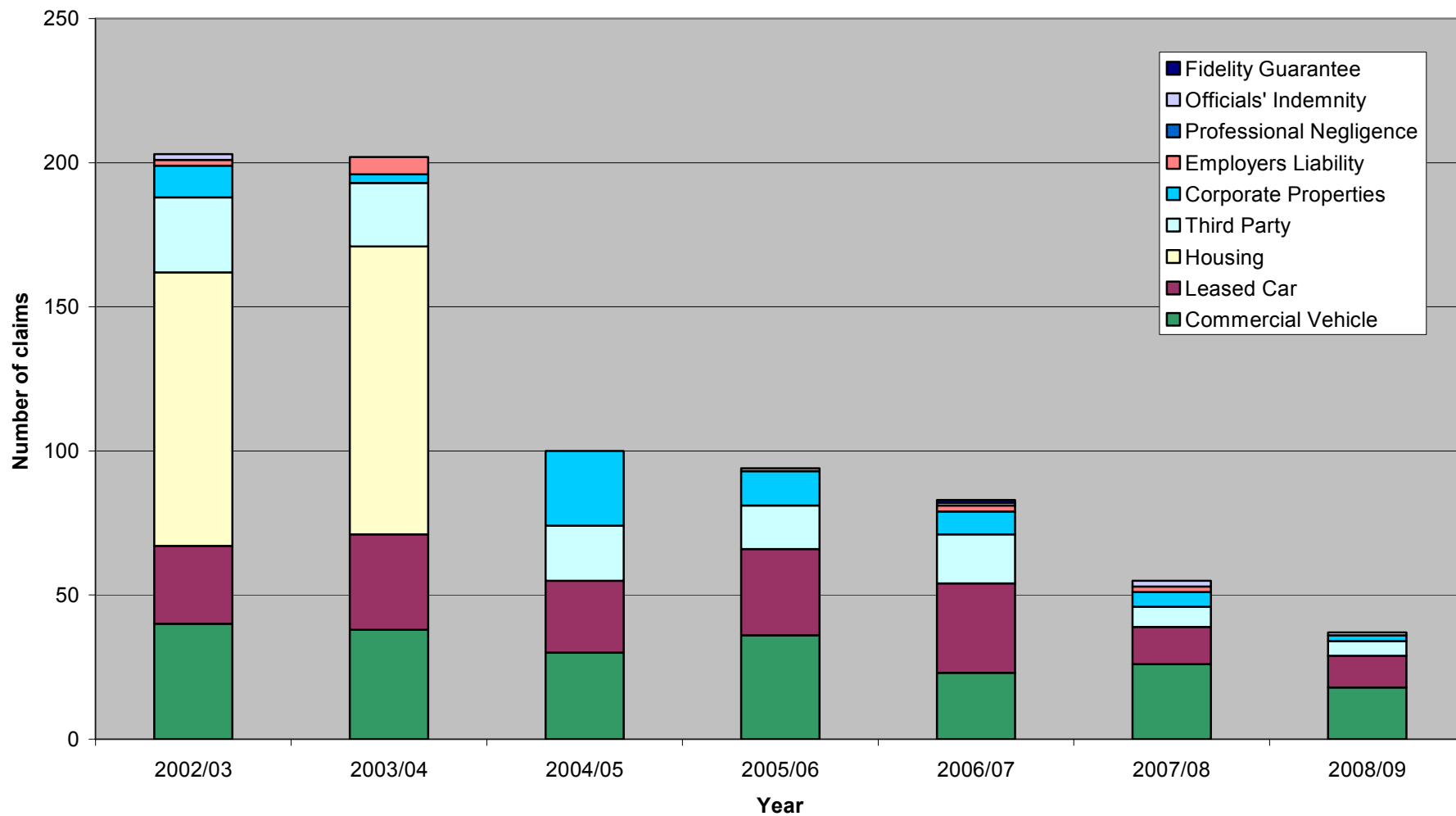
Public Liability	£232,000	2002/03 to 2006/07
General Property	£170,000	2003/04 to 2007/08
Motor	£277,000	2003/04 to 2007/08
	£679,000	

- The proportion of payments is also reducing. For 2008/09 the claims payments amounted to 23.5% of the total premiums paid
- Cherwell had an average number of claims it repudiates (55.6% in 2007/08). At present, only claims where the RMIO considers the council are liable are passed to the insurers for settlement.
- The average insurance fund reserve amongst comparators was £513,000. Cherwell make use of reserves to cover areas where insurance cover is problematic; £160,000 relating to Housing Stock transferred to Charter and £750,000 relating to flooding at Spiceball - a total of £910,000.

Recommendations for Improvement

- 1.19. It is proposed that to secure greater cost effectiveness the council shifts its emphasis from transferring the majority of its risk to an insurer, to self insuring a larger proportion of its risk given the very low of claims it currently experiences. In other words, the council should increase its risk 'appetite' to be commensurate with its low claims experience. This will involve:
 - Reducing areas of cover, and increasing excesses on policies so that a greater proportion of claims are determined or settled in-house rather than by insurers.
 - Injury claims continuing to be handled by insurers given the complexity, potential high cost and the expertise needed in determining settlement figures.
 - The provision of an internal insurance fund from reserves. Once Spiceball reconstruction is completed the need for a £750,000 provision for flood risk will be removed, which could be retained for this purpose.
- 1.20. For 2010/11 have a saving target of £65,813. Annex 3 sets out how this can be achieved.
- 1.21. Future savings from 2011/12 will be obtained through the procurement of a new insurance contract, the use of shared service/consortia arrangements with other local authorities to share costs, and the provision of insurance cover to parish councils.

Claims Experience by Policy



Insurance costs and cover

Policy	Sum insured	Excess	Statutory?	2009/10 Premium	Unit cost/ £%	Claims 2008/09	Cost (in year)
Commercial Fleet	N/A	£500	Yes	£85,921	£1,177	18	£55,279
Public Liability	£25m	£0	No	£54,439	0.38%	5	£33,047
Buildings / Contents	£43m + 15% sum insured	£250	No	£31,349	0.09%	2	£16,445
Employers Liability	£25m	£0	No	£30,944	0.22%	0	
"All Risks"	£4.3m	£250	No	£28,260	Flat	0	
Leased Car Fleet	N/A	£250	Yes	£9,150	£366	11	£7,892
Business Interruption Car Parks	£4.0m	£0	No	£3,671	0.10%	0	
Business Interruption All Premises	£5.5m	£0	No	£3,520	0.07%	0	
Terrorism	£53.7m	£0	No	£5,439	various	0	
Fidelity Guarantee	Various	£2,500	Yes	£5,229	0.04%	0	
Officials Indemnity	£3m	£0	No	£4,168	0.03%	1	£10,000
Land Charges	£1m	£0	No	£3,500	2.55%	0	
Theft	£5.6m	£250	No	£2,653	0.06%	0	
Computers	£1.4m	Variable	No	£2,608	various	0	
Professional Indemnity	£3m	Variable	No	£2,400	various	0	
Public Health Act	£3m	£0	No	£2,234	0.02%	0	
Works in Progress	£1.5m	As policy	No	£1,601	0.12%	0	
Libel & Slander	£1m	£0	No	£1,581	Flat	0	
Loss of non-negotiable money	£16,755,646	£0	No	£1,432	0.01%	0	
Engineering Insurance	N/A	£100	No	£52	Flat	0	
Total				£280,151		37	£73,171

Areas of potential saving

Policy	Risk Rating	Likely saving	Mechanism for achieving saving
Commercial Fleet	Medium – High	£4,316	Apply a higher excess of £10,000 to accidental damage to our vehicles but not to 3 rd party vehicles.
Leased Car Fleet	Medium	£9,800	Withdrawal of the Leased Car Scheme and subsequent removal of policy
Employers' Liability	Medium – High	£4,000	Apply an excess of £10,000 with stop loss cover. Considered a high risk as claims can arise many years after employment ends.
Public Liability	Medium – High	£6,000	Apply an excess of £10,000, and with £100,000 stop loss cover. Retain insurers for all injury claims.
Buildings / Contents	Medium – High	£6,000	Apply an excess of £25,000, and with £150,000 stop loss cover.
Terrorism	Low	£5,439	Self insure against this risk. Delete this policy
"All Risks"	Low	£18,687	Self-insure against this risk save for sports centre AstroTurf, which would have cover reduced to just fire cover (at a premium of £5,573)
Business Interruption (Car Parks)	Low	£3,671	Self insure against this risk. Delete this policy
Business Interruption (All Premises)	Medium	Nil	Not in the Council's interest to remove this cover due to the unpredictable nature of the risk and the potential for high losses
Fidelity Guarantee	Medium	Nil	Any possible savings would be negligible for a substantially higher excess
Officials' Indemnity	Medium	Nil	Any possible savings would be negligible for a substantially higher excess
Land Charges	Low	Nil	Not in the Council's interest to remove this cover due to long-tail reserves being required.
Theft	Medium	£2,653	Self insure against this risk. Delete this policy
Computers, laptops and computer suite	Medium – High	Nil	Not in the Council's interest to remove this cover due to potential loss of server room
Professional Indemnity	Medium	Nil	Not in the Council's interest to remove this cover due to the potential cost of claims. Outside bodies would expect/insist that cover was in place.

Policy	Risk Rating	Likely saving	Mechanism for achieving saving
Public Health Act.	Low	£2,234	Self insure against this risk. Delete this policy
Works in Progress	Medium	Nil	Not in the Council's interest to remove this cover due to the potential risk of loss.
Libel & Slander	Low	£1,581	Self insure against this risk. Delete this policy
Loss of non-negotiable money	Low	£1,432	Self insure against this risk. Delete this policy
Engineering Insurance	Low	Nil	Not in the Council's interest to remove this cover due to the potential cost of fragmentation and Third Party claims. Premium is very low (only £52).

Total	£65,813
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Accounts Audit and Risk Committee

Internal Audit Progress Report

26 October 2009

Report of Chief Internal Auditor

PURPOSE OF REPORT

This report provides the Committee with an update of the work of Internal Audit since the last meeting

This report is public

Recommendations

The Accounts, Audit and Risk Committee is **RECOMMENDED** to consider and approve this report

Executive Summary

1.1 Introduction

This report provides the Committee with an update of the work of Internal Audit since the last meeting. It includes a high level overview of final reports issued and outcomes of the Benefits Investigation team.

1.2 Proposals

No specific proposals included

1.3 Conclusion

The Accounts, Audit and Risk Committee is **RECOMMENDED** to consider and approve this report

Background Information

Internal Audit have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in June 2009. Progress reports are taken to this committee to outline the work performed and conclusions forged to date.

Implications

Financial:	n/a
Legal:	n/a
Risk Management:	<p>The progress of the Audit Plan approved by this Committee is monitored as part of the Council's Performance Monitoring Framework. Any failures to not achieve the audit plan could result in a risk that independent assurance will not be provided on the internal control environment as required, and could be seen to undermine the effectiveness of the Internal Audit team. Failure to achieve the audit plan could lead to adverse comment from the external auditors. This risk has been assessed on the Council's risk register, entry number 0264.</p> <p>Comments checked by Chris Dickens, Chief Internal Auditor, 07720 427215</p>

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Internal Audit Progress Report
Background Papers	
n/a	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	07720 427215 Chris.Dickens@cherwell-dc.gov.uk

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

October 2009

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Contents

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1. Plan outturn

2009/10 Audit Plan

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in June 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now commenced a number of reviews and reports are being issued either in draft or final format. We have also commenced planning in a number of reviews over the remaining quarters. At present we have completed **103 days out of a total planned 230 days (45%)**.

Future progress reports will continue to give an update on the percentage of the audit plan completed and will provide the Committee with assurance that our target of completing the audit plan in year is likely to be achieved.

2. Reporting and activity progress

Final reports issued since last meeting

- **Debtors** –An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for the Debtors function. This is primarily due to the absence of consistent procedures for raising and authorising debt invoice raising within the Authority. Inconsistent working practices can lead to orders being inappropriately raised and creates an issue for the Councils revenue recognition.
- **Payroll** – The payroll function was issued with an opinion of **HIGH ASSURANCE (WITH IMPROVEMENT)**. The payroll system is well controlled and operates effectively. Only 1 minor issue was noted for reporting.
- **Cash Collection**– An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for cash collection. This was due to issues that were identified during a recent cash discrepancy. In addition, limited progress has been made with developing an interface between the Paypoint system and the Councils ledger. A large amount of manual matching is still required which is both inefficient and increases the risk of error
- **Data Quality** – We examined the arrangements for ensuring levels of Data Quality at the Council and have issued an opinion of **MODERATE ASSURANCE** for this area. Whilst excellent headway has been made in embedding the importance of Data Quality within the Council, further work is required on setting target milestones, benchmarking performance and cleansing data that is held.

Draft reports

The following reports are currently in draft format:-

- NNDR
- VAT
- Performance Indicators (Assurance to External Audit)
- Anti Fraud and Corruption

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- Establishment Visits
- Managing in a Downturn
- ICT

Additional Work Performed

We have carried out the following additional pieces of work outside the scope of our agreed audit plan:

- **Spiceball Leisure Centre** – During the initial work we performed on IFRS preparation in the previous year we observed that the contract in relation to the Councils new leisure centre required analysis under both UK GAPP and IFRS. We advised management that the scheme does not constitute a PFI but advised that the contract continues to be monitored to ensure that Value for Money is secured.
- **IFRS** – We conducted a training session for the IFRS Steering Group in September 2009 on the impact of the International Financial Reporting Standards on the Council.
- **Member Training** - Along with our colleagues from the Audit Commission, Internal Audit provided training to some members of this Committee on the roles and responsibilities of members and officers at Audit Committee meetings. This was followed by a discussion on the role of members in relation to 'serious incidents'.
- **Investigative Work** - The Head of Internal Audit also attended the review panel which considered the serious incident relating to failure of a Council server.

3. Summary of key risks

Overview

Our final reports include a number of recommendations and a breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. Further information is provided in the individual reports which can be produced in full if required.

At the time of this report, we have identified no issues that should be considered as significant control weaknesses.

4. Other issues

Benefits Investigation Team – Summary of activity

In order to provide the AAR Committee with a more complete picture of the internal control activity within the Council, we have provided a summary of the activity of the Benefits Investigation Team since 1st April 2009.

Referrals received	Investigations conducted	Sanctions	Success rate for year	Total Overpayments identified for recovery for the year to date
143	135	Cautions = 18 Ad Pens = 6 Prosecutions = 7	58.66% against a target of 50%	£104,781

Investigations have been taken out in the majority of cases and the team are achieving a good success rate against the target set.

This information is prepared by Jeff Brawley, the Council's Benefits Investigation Manager. Internal Audit is working with Jeff in reviewing policies and procedures relating to fraud and fraud related issues. An update on this will be provided at the December meeting of the Committee.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	0	To be commenced
OP1.2 Debtors	5	5	Final Report
OP1.3 Creditor payments	10	10	Final Report
OP1.4 Payroll	10	10	Final Report
OP1.5 Budgetary Cont./ Fin. accounting	5	0	To be commenced
OP1.6 Council Tax	5	5	Final Report
OP1.7 National Non Domestic Rates	5	4	Draft Report
OP1.8 Bank Reconciliations	5	0	To be commenced
OP1.9 Cashiers	10	10	Final Report
OP1.10 Treasury Management	5	0	To be commenced
OP1.11 Housing Benefits	10	0	To be commenced
OP1.12 Fixed Assets	5	0	To be commenced
OP1.13 IFRS Health check	5	0	To be commenced
OP1.14 VAT	5	4	Draft Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	0	To be commenced
OP 1.17 Governance	5	0	Survey to be commenced
OP 1.18 Establishment Visits	5	3	Fieldwork commenced

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
OP 2.1 Partnership working	5	0	To be commenced
OP 2.2 Managing in a Downturn	5	2	Fieldwork commenced
OP 2.3 ICT audits	25	5	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	To be commenced
OP 2.5 Corporate Planning	10	0	To be commenced
OP2.6 CAA	10	0	To be commenced
OP 2.7 Data Quality	5	5	Final Report

Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
OP 3.1 Performance Management	5	4	Draft Report
OP 3.2 Anti Fraud and Corruption	5	4	Draft Report

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General Follow Up	10	2	Ongoing
OP 4.3 Audit Management	30	20	Ongoing
TOTAL	230	103	

Appendix Two





Summary of recommendations (final reports only)

Assignment	High	Medium	Low	Total	Overall opinion
Car Parking	1	4	2	7	MODERATE
Council Tax	0	8	1	9	MODERATE
Creditors	1	2	1	4	MODERATE
Debtors	0	3	3	6	MODERATE
Data Quality	0	6	7	13	MODERATE
Payroll	0	0	1	1	HIGH
Cash Collection	0	5	2	7	MODERATE
Total	2	28	17	47	

Appendix Three

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Overall opinion rating:

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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Accounts, Audit and Risk Committee

New reporting line arrangements for Internal Audit

26 October 2009

Report of Chief Executive

PURPOSE OF REPORT

To share with Members of the Committee the options under consideration for the new reporting line arrangements for Internal Audit following the removal of the post of Strategic Director, Customer Service and Resources from the staffing structure.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the options under consideration and provide views on these.
- (2) Ask the Chief Internal Auditor to revise the charter for Internal Audit once the final decision on reporting arrangements has been made and to bring this to the Committee's December meeting for consideration.

Executive Summary

Introduction

- 1.1 Internal Audit has reported in recent months directly to the Strategic Director, Customer Service and Resources. This role has now been removed from the Council's staffing structure and responsibility for Internal Audit needs to be allocated to another post in the structure.
- 1.2 Internal Audit is one of several functions that need to be reallocated to other posts. Interim arrangements have been in place since 1st October and the Head of Legal and Democratic Services has taken on responsibility for Internal Audit in the interim.

- 1.3 No permanent arrangements will be confirmed until after the conclusion of a review of the structure and responsibilities of the Extended Management Team at the end of November. Only then will we have sufficient information to make the series of decisions which are required, while being sure that the overall structure makes sense and the workloads of individuals are reasonable.

Proposals

- 1.4 The main option under consideration is to make the interim arrangements permanent, that is, that the Head of Legal and Democratic Services becomes responsible for Internal Audit and the Chief Internal Auditor reports to her. There are some good connections between the governance responsibilities of the Head of Legal and Democratic Services and the work of Internal Audit.
- 1.5 The alternative is to give responsibility to one of the two remaining Strategic Directors, although both these roles will be taking on other new responsibilities as a result of our move from three Strategic Directors to two.
- 1.6 Asking either the Head of Finance or the Chief Executive to take on responsibility for Internal Audit is not under consideration. We have previously moved away from having Internal Audit report to the Head of Finance as a significant amount of Internal Audit's work falls within finance and there are therefore potential conflicts of interest in this arrangement. The Chief Executive's direct reports need to be kept to a reasonable number and adding Internal Audit will not help achieve this.

Conclusion

- 1.7 Allocating responsibility for Internal Audit to the Head of Legal and Democratic Services on a permanent basis appears to be the most appropriate option, subject to the conclusion of the wider discussions about the structure and responsibilities of the Extended Management Team.

Background Information

- 2.1 The CIPFA Code of Practice for Internal Audit in Local Government lays down standards regarding both the independence and status of the function. This includes the view that Internal Audit should be managed directly by a member of the Corporate Management Team.
- 2.2 The Head of Legal and Democratic Services is not a member of the Corporate Management Team but has a standing invitation to all Corporate Management Team meetings and always attends. The

postholder therefore has an extremely good understanding of the work of the Council and the risks and issues we are facing at any one time. As Solicitor to the Council and Monitoring Officer the postholder has significant influence in the organisation.

- 2.3 The direct access the Chief Internal Auditor has to the Accounts, Audit and Risk Committee and to the Chief Executive will remain unchanged.
- 2.4 The Chief Internal Auditor has confirmed that he believes that these proposed arrangements are acceptable and meet the spirit of the CIPFA Code. After the meeting of the Accounts, Audit and Risk Committee the Chief Executive will also seek the view of the Audit Commission but in light of previous discussions anticipates that the Audit Commission will be comfortable with these arrangements too.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The need to set up permanent reporting arrangements for Internal Audit which are in line with the CIPFA Code of Practice for Internal Audit in Local Government.
- 3.2 The need to ensure a balance of responsibilities and workload for staff in a smaller Corporate Management Team and a re-visited Extended Management Team structure.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** Report to the Head of Legal and Democratic Services
- Option Two** Report to either the Strategic Director, Planning Housing and Economy or the Strategic Director, Environment and Community

Consultations

- Chief Internal Auditor** Content with proposed arrangements

Implications

- Financial:** There are no financial implications of this report.
Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Legal: There are no legal implications arising from this report. The arrangements comply with the CIPFA Code of Practice

Comments checked by Liz Howlett,
Head of Legal and Democratic Services, 01295
221686

Risk Management: There is a risk in any change to reporting lines, particularly in terms of continuity. In this case, our contract with PWC clearly states what the Chief Internal Auditor is expected to deliver this year. What is more, much of the discussion about the shape of the internal audit plan and its ongoing delivery occurs at Corporate Management Team meetings so the Chief Executive and remaining two Strategic Directors can provide support to the Head of Legal and Democratic Services as she takes on this role.

Comments checked by Rosemary Watts, Risk Management & Insurance Officer, 01295 221566

Wards Affected

All

Document Information

Appendix No	Title
N/A	
Background Papers	
N/A	
Report Author	Mary Harpley, Chief Executive
Contact Information	01295 221573 mary.harpley@Cherwell-dc.gov.uk

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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