

Committee: **Accounts, Audit and Risk Committee**
Date: **Monday 14 December 2009**
Time: **6.30 pm**
Venue **Bodicote House, Bodicote, Banbury, OX15 4AA**

Membership

Councillor John Donaldson (Chairman)	Councillor Trevor Stevens (Vice-Chairman)
Councillor Ken Attack	Councillor Simon Holland
Councillor Devena Rae	Councillor Lawrie Stratford
Councillor Rose Stratford	Councillor Barry Wood

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. 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.

3. Petitions and Requests to Address the Meeting

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

4. Urgent Business

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

5. Minutes (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 26 October 2009.

6. External Audit: Annual Audit Letter (Pages 7 - 26)

Report of Head of Finance

Summary

The purpose of this paper is to inform the Committee of the draft Annual Audit Letter as prepared by the Audit Commission. This report summarises the Audit Commission's findings from the 2008/09 audit. It includes messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the Use of Resources assessment.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the contents of the Draft Annual Audit Letter:
- (2) Note the opinions of the financial statements, VFM Conclusion and Use of Resources score

7. Changes to the Internal Audit Charter (Pages 27 - 38)

Report of Chief Internal Auditor

Summary

This Chief Internal Auditor has updated the Internal Audit Charter to reflect the changed reporting arrangements that are now in place.

Recommendation

The Accounts, Audit and Risk Committee is recommended to:

- (1) Consider and approve the Charter.

8. Internal Audit Progress report (Pages 39 - 52)

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:

- (1) Consider and approve this report.

9. **Sanctions Policy** (Pages 53 - 62)

Report of Benefit Investigations Manager

Summary

The report is to bring the Council's policy on Sanctions in line with the Department for Work & Pensions policy. In doing so, we offer a consistent approach to joint investigation work. The policy will also introduce 2 small amendments which will help target the more serious abuse of the system and assist in reacting to the current recession. However, the policy will remain fit for purpose following the Country coming out of recession.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Adopt the new policy.

10. **Verbal Updates**

- a) Treasury Management Update ~ Chief Financial Officer to report
- b) Management of Risk and Insurance ~ Chief Financial Officer to report
- c) International Financing Reporting Standard Update ~ Chief Financial Officer to report

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 4 December 2009

Agenda Item 5

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 26 October 2009 at 6.00 pm

Present: Councillor John Donaldson (Chairman)

Councillor Trevor Stevens (Vice-Chairman)

Councillor Ken Atack

Councillor Devena Rae

Councillor Lawrie Stratford

Councillor Rose Stratford

Councillor Barry Wood

Officers: Mike Carroll, Head of Improvement
Chris Dickens, Chief Internal Auditor
Phil O'Dell, Chief Finance Officer
Karen Curtin, Head of Finance
Andy Yeates, Internal Audit Team, PricewaterhouseCoopers
Natasha Clark, Trainee Democratic and Scrutiny Officer

24 **Declarations of Interest**

Members declared interest with regard to the following agenda item:

6. Management of Risk and Insurance

Councillor Ken Atack, Personal, as a member of the Executive who had previously considered the matter.

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

There were no petitions or requests to address the meeting.

26 **Urgent Business**

There was no urgent business.

27 **Minutes**

The minutes of the meeting held on 23 September 2009 were agreed as a correct record and signed by the Chairman.

Overview of Treasury Management Performance Quarter 2

The Committee considered a report of the Head of Finance detailing the actual return on investments for the period to September 2009, 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. They would be reported to the Committee on a quarterly basis. The Committee was advised that the performance for the first six months of the financial year was on a cumulative basis. It showed that performance was in line with expectations and within tolerances.

In response to Members' questions regarding the Council's investment in Iceland, the Head of Finance advised the Committee that the Council had submitted its claim in relation to its investments with the failed Icelandic Bank Glitner and that this was currently being reviewed by the legal firm Bevan Britten. She informed the Committee that the administration committee of Glitner Bank would meet in December 2009 to review all claims.

The Head of Finance reported that the Council's contract for treasury advice had expired and that Officers were currently preparing to re-tender to ensure that a new contract was in place for 1 April 2010. She informed the Committee that discussions were underway with neighbouring authorities on a joint procurement process and a further report would be submitted to the Committee's December meeting outlining the process.

Resolved

- 1) That the contents of the report on treasury management performance and the performance to date be noted.
- 2) That the procurement process and timetable for the retender of the treasury management advisory contract be noted and Officers be requested to bring an update report to the Committee's December meeting.

Management of Risk and Insurance

The Committee considered a report of the Head of Improvement which sought the view of the Committee on the arrangements for the management of risk management and insurance that the Executive had proposed at its 5 October 2009 meeting.

The Head of Improvement reported the Value for Money Review of Insurance had offered the opportunity to achieve financial savings while delivering service improvements for both the Council's insurance and risk functions.

The Head of Improvement advised the Committee that a project was currently underway to transfer the routine monitoring of risk (which was currently

undertaken by the Risk Management and Insurance Officer) to the Council's corporate Performance Management Framework, which would be fully integrated from 1 April 2010. The Chief Internal Auditor advised the Committee that this approach supported a recommendation of the Internal Audit review on risk. The review had highlighted the need for the Council to look at managing risk in a more effective and strategic manner. The Chief Internal Auditor remarked that risk management should lie with service managers rather than just one officer.

The Head of Improvement advised the Committee that under the new arrangements the corporate responsibility for the management of insurance would transfer to the Head of Finance. The operational administration of claims would be delegated to Heads of Service and operational administrative teams.

Members of the Committee expressed concerns about losing in-house expertise and the need to ensure a consistent approach and standard when the risk management function is devolved and managed at Service Head level. Officers assured the Committee that meetings had been held with insurers to analyse each insurance category and the level of insurance. They would continue to hold meetings to ensure that the right insurance was in place for the level of risk.

The Head of Improvement reported that strategic, operational and corporate risks were being reviewed. These would be externally scrutinized and subsequently submitted to the Executive for consideration. Members of the Committee requested that further details about this process be provided at its December meeting.

Resolved

- 1) That the decision of the Executive of 5 October 2009 regarding the future arrangements for the management of risk management and insurance be noted.
- 2) That Officers be requested to bring a further report on the future management arrangements, when the details had been confirmed, to the Committee.

30 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 September to October 2009. The Committee was advised that 45% of the plan had been completed and that the remainder would be completed by the end of the financial year.

The Chief Internal Auditor reported that since the Accounts, Audit and Risk Committee meeting of 23 September 2009, four final reports had been issued, four reports were in draft format and fieldwork had commenced in three areas. The Committee was advised that the Internal Audit team had also carried out four additional pieces of work outside the scope of the agreed audit plan.

In response to Members' questions, the Chief Internal Auditor advised the Committee that the December Internal Audit progress report would include an update tracking progress on all internal audit recommendations. Members were also advised that the Benefits Investigation Manager would be attending the Committee's December meeting to provide an update and answer Members' questions on the activity of the Benefits Investigations Team.

Resolved

- 1) That the internal audit progress report be approved.

31 **New Reporting Line Arrangements for Internal Audit**

The Committee considered a report of the Chief Executive outlining 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.

Members of the Committee sought assurance regarding the capacity of the Head of Legal and Democratic Services to have responsibility for Internal Audit. The Head of Improvement advised the Committee that the proposed permanent arrangement, which would be effective from 1 November 2009, had been in place on an interim basis since 1 October 2009 and was working well. The Chief Internal Auditor advised the Committee that he was happy with the arrangements.

Resolved

- 1) That the options under consideration be noted.
- 2) That the Chief Internal Auditor be asked 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.

32 **Verbal Updates**

Member Training

The Chairman reminded Members that a training session on Local Government Finance and Treasury Management would be held after the Committee's meeting.

The Chairman advised the Committee that Democratic Services had arranged a variety of other training and briefing sessions for Members. Details were available in the Members' Room or from the Trainee Democratic and Scrutiny Officer.

33 **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 paragraphs 1, 2 and 3 of Part 1, Schedule 12A of that Act.

34 **Exempt Minutes**

The exempt minutes of the meeting held on 23 September 2009 were agreed as a correct record and signed by the Chairman.

35 **Overview of Treasury Management Performance - Exempt Annex 2**

The Committee considered the exempt annex to the report of the Head of Finance updating Members on Treasury Management Performance, which listed the 40 loans that the Council was engaged in at 30 September 2009.

Resolved

That the exempt annex 2 be noted.

The meeting ended at 7.00 pm

Chairman:

Date:

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Accounts, Audit and Risk Committee

External Audit: Draft Annual Audit Letter

14 December 2009

Report of Head of Finance

PURPOSE OF REPORT

The purpose of this paper is to inform the Committee of the draft Annual Audit Letter as prepared by the Audit Commission. This report summarises the Audit Commission's findings from the 2008/09 audit. It includes messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the Use of Resources assessment.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) To note the contents of the Draft Annual Audit Letter :
- (2) To note the opinions of the financial statements, VFM Conclusion and Use of Resources score

Executive Summary

Introduction

- 1.1 The draft Annual Audit Letter is attached in Appendix 1 and the District Auditor will present the contents at the Committee meeting.
- 1.2 The Auditor's opinion of the financial statements relate to the Statement of Accounts, approved by this Committee on September 23 2009 and the annual governance report issued.
- 1.3 The Audit Commission's Code of Audit Practice requires auditors to prepare an annual audit letter and issue it to each audited body.

- 1.4 The purpose of preparing and issuing annual audit letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The annual audit letter covers the work carried out by auditors since the previous annual audit letter was issued.
- 1.5 The Use of Resources Judgement set out in the attached report forms part of our overall organisational assessment under the new CAA framework. The areas "scored" are broader in scope and depth than the process under the previous Corporate Performance Assessment framework (C.P.A).

Conclusion

- 1.6 All work on the financial statements is complete and an unqualified opinion on the statements and value for money conclusion was given on 25 September 2009.
- 1.7 Under the Use of Resources assessment the Council has received "scores" of 3 – "performing well" in all aspects of this harder test. This reflects clear progress in all elements;
- 1.8 The assessment framework will develop further in the coming year and the Council has ambitions to achieve level 4 in at least 1 of the 3 KLOE`s.
- 1.9 There will also be an additional judgement relating to our use of natural resources.
- 1.10 Officers and Members can be rightly proud of the successful outcomes delivered during the period covered.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report summarises the Audit Commissions findings from the 2008/09 audit. It includes messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the Use of Resources assessment.

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

Option One To note the contents of the report

Option Two To raise issues or questions relating to this report

Implications

- Financial:** There are no financial implications arising from this report but the contents of the report will influence future financial decisions.
Comments checked by Karen Muir, Corporate System Accountant 01295 22159
- Legal:** There are no implications arising from this report
Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686
- Risk Management:** The report provides an independent, external assessment of the Council's performance in key areas of financial management. The findings will help inform and shape improvements in the Council's financial arrangements, reducing the risk of financial failings.
Comments checked by Karen Muir, Corporate System Accountant 01295 22159

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Annual Audit Letter
Background Papers	
2008/09 Financial Statements	
2008/09 External Audit Governance Report	
Report Author	Karen Curtin, Head of Finance
Contact Information	01295 221551 karen.curtin@Cherwell-dc.gov.uk

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Annual Audit Letter

Cherwell District Council
Audit 2008/09
November 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 My work on your financial statements is complete and I gave an unqualified opinion on 25 September 2009.

Financial Statements

- 2 The accounts adopted by the Accounts, Audit and Risk Committee on 24 June 2009 were made available for audit supported by detailed working papers. There were only minor presentational errors in the statements adopted.

Value for money

- 3 My work on your scored use of resources is complete, and I am pleased to confirm that there are no areas where you do not meet expected standards. I therefore gave an unqualified value for money conclusion on 25 September 2009.

Economic downturn

- 4 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies was immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 5 This impacts on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.

My work Audit Fees

- 6 My audit is complete and I can confirm that I do not propose to issue a supplementary fee letter.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£64,349	£64,349	£0
Value for money	£43,876	£43,876	£0
Total audit fees	£108,225	£108,225	£0

Independence

- 7** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Significant issues arising from the audit

- 8 There were no errors in the financial statements for which I requested an audit adjustment. We only identified minor presentational errors which have been amended in the final set of accounts.
 - 9 As part of the Council's own supervisory review in July, staff identified three classification errors: £952,000 within the analysis of the debtors note; £196,000 within the analysis of the creditors note; and £72,000 mis-classification between National non-Domestic Rates (NDR) and Revenue Support Grant (RSG) on the Income and Expenditure Account. These have been adjusted in the final version of the accounts.
-

Material weaknesses in internal control

- 10 I did not identify any significant weaknesses in your internal control arrangements. However, the Council has included a significant internal control weakness in its Annual Governance Statement when an issue was identified in relation to IT back up arrangements. Subsequent investigations highlighted a number of control issues around the Council's IT processes including disaster recovery back up arrangements. The Council implemented a full review and implemented measures to safeguard their information.
-

Accounting Practice and financial reporting

- 11 I considered the qualitative aspects of your financial reporting. The accounts production was smooth and supported by good quality working papers.
-

Economic Downturn

- 12 The Council had invested £6.5m at the end of March 2009 in Glitner Icelandic bank. The latest position is that, as the Council currently has preferential credit status, it expects to recover 100 percent of this balance. However, this status is subject to challenged. Whilst the money is currently deemed at risk, the Council has not included assumptions on the likelihood of repayment in its draft budget. In light of the Icelandic banks, the Council has reviewed its treasury management policies and has included actions in the medium term financial strategy.
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Value for money use of resources

I considered how well the Cherwell District Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Cherwell District Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 13 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 15 The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

- 16 The Council manages its finances effectively to deliver value for money in its services for its stakeholders. Finances are planned over the medium to long term to meet strategic priorities and to ensure that the Council keeps sound financial health. The Medium Term Financial Strategy is regularly updated to keep it in line with changes in the internal and external environment that affect the operation of the Council. Value for Money Reviews are being constantly undertaken to find areas of potential economies and efficiencies and the effectiveness of services is assessed through consultation with users. Partnerships are being used effectively to ensure that finances and other resources deliver value for money. The Council produces budget monitoring and forecasting information on a timely basis which ensures that decision makers can

make appropriate decisions throughout the various levels of the organisation with the most relevant information to hand. The authority has restructured its finance team over the last two years and the accounts production is smooth and supported by good quality working papers.

- 17** The Council's procurement and contract management infrastructure and functions have improved strongly. There is a clear understanding of how the commissioning and procurement approach enables delivery of corporate priorities and is aligned to the Council's VFM programme. The focus is on partnership working to deliver improved outcomes for local people, based on local need. The Council has made substantial data quality and management information improvements over the past year. This supports decision making and performance management thus helping deliver priorities and improvements for local people. The Council promotes and demonstrates the values of good governance. The Council manages its own risks and maintains a solid system of internal control. There is active risk management embedded throughout all levels of the organisation and promoted and monitored in the Council's significant partnerships.
- 18** The Council is effective in planning and developing its workforce to achieve its goals. It identifies the skills it needs and invests significantly in workforce development. This has successfully enabled the Council to adapt its culture and skill its workforce to adopt different ways of working. The Council has successfully delivered its corporate restructuring. This has been done in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. The Council is now entering its next phase of change. It is considering how radically different it needs to be as an organisation to continue to deliver improved VFM within the context of shared services and outsourcing arrangements. Within this context the Council is ensuring it encourages the values and behaviours required to support the staff and the organisation through continued change.

VFM Conclusion

- 19** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 20** I issued an unqualified conclusion stating that the Cherwell District Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 21** I have discussed and agreed this letter with the Chief Executive and the Head of Finance. I will present this letter at the Accounts, Audit and Risk Committee on 14 December 2009 and will provide copies to all committee members.
- 22** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Cherwell District Council during the year.

Table 3

Report	Date issued
Audit Plan	May 2008
Opinion Plan	May 2009
Annual Governance Report	September 2009
Annual Audit Letter	November 2009

-
- 23** Cherwell District Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Maria Grindley
District Auditor
November 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

Theme score	3
Key findings and conclusions	
The Council has sound arrangements across all aspects of managing finances and these are delivering outcomes for local people.	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
Financial planning at Cherwell District Council is effectively integrated. It links to strategic and corporate planning through the medium term financial strategy (MTFS) and the community plan. The Council has an effective long-term financial strategy to support delivery of its strategic objectives and priorities. The Council effectively consults with stakeholder to prioritise spending decisions. The Council manages its spending well. The MTFS has now been updated to reflect the current external challenges. These have been revised so that the Council can carry on meeting their service requirements and strategic priorities.	
The Council is creating an environment of sound financial governance and leadership. Members provide scrutiny to the financial plans of the Council and this has lead to the income in the 2009/10 budget increasing by £0.5m to £6.3m. The Council promotes financial management in its leadership and recognises and values financial skills	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has a sound understanding of its costs evidenced by its value for money reviews which have provided information to assist the Council's strategic decision making. This has led to a reduction of costs and improved performance. The Council has successfully achieved efficiencies in its high cost areas. The net revenue budget has reduced from £23.5m in 2007/2008 to £20m in 2009/2010: a reduction of £3.5m over the period. The Council co-ordinates its financial planning. This helps the Council to understand the value for money implications of its spending, for example through the potential impact of capital spending over the medium to long term on council tax. The Council compares its costs to other authorities. The Council recognises that it must drive efficiencies and rationalisation of services through its VFM processes. The one stop shop is an example of this and has successfully created better customer access and also delivered cost efficiencies</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council's internal financial monitoring is relevant, understandable and accruals based. It provides clear links between the budget, in year forecasts and actual year end position. The dashboard and the performance management framework ensure that the financial and non-financial performance is reported and effectively considered together. Budget holders are able to access financial and monitoring information when they need it.</p> <p>For 2008/09, the Council had produced a thorough and comprehensive closedown plan. The accounts were properly approved by the Accounts, Audit and Risk Committee and published by the due date on the Council's website. The Council's working papers to support the accounts are clear and the have a strong focus on SORP compliance. Improved member involvement has continued again this year. This was shown through the members challenging the process of the accounts and through the continuation of a specific accounts panel. The Council published its Annual Report setting out the key achievements during the year for both the Council and its key partners.</p>	

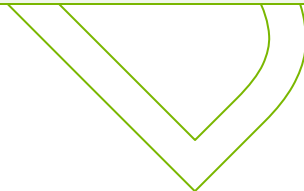
Governing the business

Theme score	3
Key findings and conclusions	
The Council has sound arrangements across all aspects of governing the business and these are delivering good outcomes for local people.	
KLOE 2.1 (commissioning and procurement)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council’s commissioning is shaped by a clear vision of improved services. Effective procurement and contract management has directly supported improved service provision. An example is the successful approach to its commissioning, contract and project management of the £27m sports centre modernisation programme. The Council engages effectively with a range of stakeholders and service users to plan and commission services. It is building on its partnerships to deliver sustainable local outcomes and efficiencies and engage with Small and Medium-sized Enterprises (SMEs).</p> <p>The Council has a strong record of enabling access to services through technology. It has embraced e-procurement and launched an interactive guide for procurement and contract management to raise awareness across the organisation. The Council engages with its communities in the design of services, eg the One Stop Shop, where it undertook Equality Impact Assessments as part of the design. It is also working effectively and innovatively with Oxon PCT in the development of a ‘super clinic’ in Banbury, delivering improved outcomes for local people and benefits to partners. The Council consults effectively with users, SMEs and partners and has a more informed understanding of the supply market.</p> <p>The Council’s procurement and contract management functions have improved strongly. Its rigorous value for money approach and service planning process link effectively to the Procurement Forward Plan. In 08/09 it invested £200k in additional procurement capacity which has secured corporate savings of £309k in this financial year. The procurement discipline clearly supports the delivery of the Council’s wider objectives. It has supported the reduction in net costs over recent years, enabling resources to be reallocated to front line services, delivering demonstrable beneficial outcomes to the community. Although the Council does not have an up to date procurement strategy, it is procuring strategically.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has an ongoing action plan to improve data quality and information management. Governance, accountability and leadership arrangements have been improved and data management arrangements are integrated into the service and financial planning processes. The Council demonstrates a proactive use of information to jointly determine local priorities with partners. There are active partnership approaches across the service areas ie with the Oxfordshire PCT Joint Public Health Strategy.</p> <p>The Council produces fit-for-purpose information to effectively support members and officer's decision making. The Council's strategic management reports, the balanced score card and dashboard are clear and well structured, enabling analysis and interrogation of the information. The Council consults staff and stakeholders to ensure priorities are delivered and met. The Customer Contact Centre filters feedback to services, to improve responsiveness and these are reviewed regularly by portfolio holders and staff. Issues are flagged and managed at corporate level. The Council incorporates good practice standards into its policies and procedures to safeguard its management information. The Council demonstrates a risk management culture.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has a very clear focus on its priorities which drive everything it does. The priorities are set out in the Corporate Plan and Improvement Strategy 2007 to 2012 and these are used strongly to guide planning in the Service and Financial Planning framework. The Council provides effective governance: members and officers are clear about their roles and responsibilities. The council has an ethical framework in place and promotes ethical culture. The Executive sets firm policy objectives for the Council for which officers are charged with delivery and there is an appropriate level of challenge between councillors and senior managers. This view is supported by opposition councillors who also feel included within a bipartisan and inclusive process. The Council's response to the Eco town proposal and Horton Hospital services at threat are both examples of the clarity in approach. Councillors and staff work hard to achieve the best outcomes for the community.</p> <p>The Council is a highly effective leader of partnership working locally. It has been effective in securing the involvement of all partners. Membership of the Cherwell Community Planning Partnership (LSP) is inclusive and the Council has taken a proactive approach to the governance and development of this partnership. The Council, partners and the community are clear about the ambitions for the area.</p>	

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Risk Management is comprehensive and embedded throughout the council. The Council clearly understands the strategic risks to the delivery of its objectives and these are managed and regularly reviewed by the Executive and senior managers. Risk management is integral to the decision making process. Members recognise the importance of risk management. Partnership risks are on the risk register and risks around partnerships are monitored and reported through the partnership annual governance report.</p> <p>The Council has strong counter fraud and corruption arrangements. This is shown most in the work performed by the benefits service. In 2008/09 they had 12 successful prosecutions where claimants were fraudulently claiming benefits. The council has a sound system of internal control. The Accounts, Audit and Risk Committee delivers the core functions as required by CIPFA and demonstrated a good challenge on the accounts. Members of the Accounts, Audit and Risk Committee set up a new IFRS steering group, again demonstrating member involvement and strengthening the system of internal control.</p>	



Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme score - only 3.3 relevant for 2008/09	3
Key findings and conclusions	
The Council has sound arrangements to develop and support a skilled workforce and these outcomes.	
KLOE 3.3 (workforce planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council is effective in planning and developing its workforce to achieve its goals. It identifies the skills it needs and invests significantly in workforce development. This has successfully enabled the Council to adapt its culture and skill its workforce to adopt different ways of working. The Council has successfully delivered its corporate restructuring. This has been done in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. The Council is now entering its next phase of change. It is considering how radically different it needs to be as an organisation to continue to deliver improved VFM within the context of shared services and outsourcing arrangements. This builds on the recent outsourcing arrangements for Internal Audit and transactional elements of the Revenue and Benefits functions.</p> <p>The Council has successfully engaged and supported staff during the change process. It has delivered its corporate restructuring in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. It has a good track record of consultation and the staff consultation group has been central to building and delivering organisational culture.</p>	

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Accounts Audit and Risk Committee

Internal Audit Charter

14 December 2009

Chief Internal Auditor

PURPOSE OF REPORT

This Chief Internal Auditor has updated the Internal Audit Charter to reflect the changed reporting arrangements that are now in place.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to consider and approve the Charter

Executive Summary

1.1 Introduction

Following the changed reporting arrangements for Internal Audit, the existing Internal Audit Charter had to be amended. The updated Charter incorporates the revised reporting arrangements.

1.2 Proposals

No specific proposals included

1.3 Conclusion

The Accounts, Audit and Risk Committee is RECOMMENDED to consider and approve the revised Charter

Background Information

The CIPFA Code of Practice for Internal Audit in Local Government 2006 requires that the Council should formally define the purpose, authority and responsibility of Internal Audit. The Internal Audit Charter sets out clearly the role of Internal Audit within Cherwell District Council. The existing Charter was presented to the Accounts Audit and Risk Committee in October 2008.

Implications

Financial:	n/a
Legal:	n/a
Risk Management:	Failure to maintain the independence of internal audit could lead to a lack of objectivity and an inability to perform in a manner which facilitates impartial and effective professional judgement. This risk has been assessed on the Council's risk register, entry number 0297. Comments checked by Chris Dickens, Chief Internal Auditor, 07720 427215

Wards Affected

All

Document Information

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

Cherwell District
Council
Internal audit charter
October 2009



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1. Mission and scope of work

The mission of internal audit is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of internal audit is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the Council's control process.
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately.
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

2. Accountability

The Chief Internal Auditor, in the discharge of his/her duties, shall be accountable to management and the Accounts, Audit and Risk Committee to:

Provide annually an assessment on the adequacy and effectiveness of the Council's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

Report significant issues related to the processes for controlling the activities of the Council and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.

Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.

Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Whilst the annual internal audit report is a key element of the assurance framework required to inform the Annual Governance Statement (AGS), there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from internal audit will be agreed with the Accounts, Audit and Risk Committee at the beginning of the year and presented in the annual internal audit plan (and subsequent agreed amendments). As such, the annual internal audit opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities

3. Independence

To provide for the independence of internal audit, its personnel report to the Chief Internal Auditor, who reports functionally to the Accounts, Audit and Risk Committee and administratively to the Head of Legal and Democratic Services in a manner outlined in the above section on Accountability. It will include as part of its reports to the Accounts, Audit and Risk Committee a regular report on internal audit progress against the internal audit plan.

In addition to the reporting arrangements set out above, the Chief Internal Auditor also has a direct right of access to the Chief Executive and the Corporate Management Team should it be required.

4. Responsibility

The Chief Internal Auditor and staff of the internal audit team have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Accounts, Audit and Risk Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Accounts, Audit and Risk Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Accounts, Audit and Risk Committee and management summarising results of audit activities.
- Keep the Accounts, Audit and Risk Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Accounts, Audit and Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities within the Council in accordance with its anti fraud and corruption procedures and notify management and the Accounts, Audit and Risk Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Council at a reasonable overall cost.

5. Authority

The Chief Internal Auditor and internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Accounts, Audit and Risk Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Council where they perform audits, as well as other specialised services from within or outside the Council.

The Chief Internal Auditor and internal audit staff are not authorised to:

- Perform any operational duties for the Council or its affiliates.
- Initiate or approve accounting transactions.
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

6. Relationships

The Chief Internal Auditor and internal audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships With Management**

The Chief Internal Auditor and internal audit staff will maintain effective relationships with managers of the Authority. Regular meetings will be held with key stakeholders and management will be consulted with in the audit planning process. Timing of audit work will be in conjunction with management.

- **Relationships With Other Internal Auditors**

Where it is necessary for the Chief Internal Auditor and internal audit staff to work with the internal auditors of another organisation, the roles and responsibilities of each party will be agreed. Appropriate safeguards will be put in place to ensure that third party responsibilities are clearly defined understood by all concerned.

- **Relationships With External Auditors**

Internal audit and the Audit Commission will establish a working relationship where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans and reports shared. External audit are consulted as part of the internal audit planning process.

- **Relationships With Other Regulators And Inspectors**

The Chief Internal Auditor and his staff will take account of the results and reports from any inspections when planning and undertaking internal audit work. Where appropriate, the Chief Internal Auditor will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships With Elected Members**

The Chief Internal Auditor will establish a good working relationship with members, in particular with members of the Accounts, Audit and Risk Committee. The Chief Internal Auditor has the opportunity to meet with the Chair of the Accounts, Audit and Risk Committee if desired.

7. Standards of audit practice

Internal audit will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors, The Government Internal Audit Standards (“GIAS”) and the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006

Chief Internal Auditor (PricewaterhouseCoopers LLP)

Presented to Accounts, Audit and Risk Committee

Dated December 2009

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Accounts Audit and Risk Committee

Internal Audit Progress Report

14 December 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:

- (1) 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 issues raised.

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 has 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. Failure to 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

December 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 the majority of reviews and reports are being issued either in draft or final format. At present we have completed **142 days out of a total planned 230 days (62%)**.

Management have noted that a number of reviews scheduled for 2009/10 are no longer required due to changes in the risk profile of the Council. We are currently in discussions with management to establish how these days will be used to address other areas of risk/concern. The following reviews are under consideration:

- Job Evaluation
- Corporate Planning

Reviews in the following areas may be requested by management:

- Local Area Agreement Indicators
- Bicester Town Centre Redevelopment
- Other areas of HR

2. Reporting and activity progress

Final reports issued since last meeting

- **Bank Reconciliations** –An opinion of **HIGH ASSURANCE** has been issued for Bank Reconciliations. Bank Reconciliations operate effectively within the Council. Minor issues were noted around clearing of suspense accounts and performance of the Housing Benefits bank reconciliation.
- **Cash Handling** – We reviewed the controls in place at the Council's 'One Stop Shops' at the request of members. We issued an opinion of **HIGH ASSURANCE** over the cash handling process. That said, efforts should be made to ensure that excessive cash balances are not held in tills. In addition, 2 officers should be present upon transfer of floats.
- **Non Domestic Rates**– An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for the Business Rates function this was due to issues around the level of credit balances and aged debt in respect of business rates. At the time of audit, the balance of outstanding arrears totalled £705,000. Of this balance, £126,000 relates to debts dating back to 2004 or earlier. In addition, NDR credit balances stood at £871,000.
- **Performance Measurement** – We examined the collection methods and data quality for a sample of performance indicators selected by management. An opinion of **HIGH ASSURANCE** has been issued. In the majority of cases, collection methods ensure that a complete set of data is collected. In addition, minimal issues were noted when agreeing data to supporting documentation. However, the Council should ensure that supporting documentation is requested ahead of the data quality exercise (especially in the areas of temporary accommodation). In addition, further consideration should be given to the use of surveys for collecting data. Of 779 questionnaires sent out in 2008/09 for business satisfaction results, only 40 were returned (5.13% response rate).

Draft reports

The following reports are currently in draft format:-

- Anti Fraud and Corruption
- VAT
- Treasury Management

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- General Ledger
- International Financial Reporting Standards (Ongoing work)
- Managing in a Downturn

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.

3. Other issues

Benefits Investigation Team – Summary of activity

An update on Benefits activity will be presented by the Benefit Fraud Investigation Officer during this meeting.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	4	Fieldwork 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	5	Final Report
OP1.8 Bank Reconciliations	5	5	Final Report
OP1.9 Cashiers	10	10	Final Report
OP1.10 Treasury Management	5	4	Draft Report
OP1.11 Housing Benefits	10	0	To be commenced
OP1.12 Fixed Assets	5	0	To be commenced
OP1.13 IFRS Health check	5	3	Fieldwork ongoing
OP1.14 VAT	5	4	Draft Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	1	Fieldwork scoped
OP 1.17 Governance	5	1	Survey to be commenced
OP 1.18 Establishment Visits	5	5	Final Report

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	12	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	To be considered for audit
OP 2.5 Corporate Planning	10	0	To be considered for audit
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	5	Final 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	7	Ongoing
OP 4.3 Audit Management	30	25	Ongoing
TOTAL	230	142	

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
Bank Reconciliations	0	2	2	4	HIGH
Cash Handling	0	2	1	3	HIGH
Performance Measurement	0	2	3	5	HIGH
Non Domestic Rates	0	7	1	8	MODERATE
Total	2	41	24	67	

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>

In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cherwell District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Cherwell District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Accounts, Audit & Risk Committee

Sanctions Policy

14 December 2009

Report of Benefit Investigations Manager

PURPOSE OF REPORT

The report is to bring the Council's policy on Sanctions in line with the Department for Work & Pensions policy. In doing so, we offer a consistent approach to joint investigation work. The policy will also introduce 2 small amendments which will help target the more serious abuse of the system and assist in reacting to the current recession. However, the policy will remain fit for purpose following the Country coming out of recession.

This report is public

Recommendations

The meeting is recommended:

- (1) To adopt the new policy

Executive Summary

Introduction

- 1.1 In February 2009, the Department for Work & Pensions (DWP) amended their Sanctions Policy slightly, by removing the need to show remorse during an Interview under Caution.
- 1.2 Prior to this policy being adopted by the DWP, in order to offer an out of Court settlement of a Caution, it was a requirement for a person to show remorse at an interview.

Proposals

- 1.3 To adopt the Sanctions Policy recommended.
- 1.4 To increase the deminimus on potentially fraudulent overpayments

from £50.00 to £150.00

- 1.5 To introduce the minimum length of a fraudulent overpayment to 4 weeks.
- 1.6 Proposals 1.4 and 1.5 are discretionary where ‘aggravating factors’(see policy – para 4.3) play a part in the risk assessment.

Conclusion

- 1.7 In adopting the Sanctions Policy, we are able to offer a consistent approach to investigations when investigating cases jointly with the DWP.
- 1.8 By introducing the higher deminimus and length of fraudulent attack in cases with no ‘aggravating factors’ we make the process fairer and more cost effective.

Background Information

- 2.1 The DWP Sanctions Policy
- 2.2 The Sanctions Policy provides information which explains the whole process from investigation through to case disposal. It provides a natural bridge to the Council’s Prosecution Policy.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The policy regarding the disposal of cases involving benefit fraud has always been agreed and adopted by The Elected Members of The Council. Historically, we have always followed the guidelines contained within the DWP policy, for the reasons mentioned above.

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

- Option One** Adopt the new policy
- Option Two** Retain the existing policy

Consultations

C Jones FIS Manager	The DWP
Pam Wilkinson	Cherwell District Council Legal Department
BI Investigators	Cherwell District Council Benefits Investigation Team

Implications

Legal: Consultation with Legal asked that some consideration be given to the length of the fraudulent attack, in first time offences. The agreement was that the length of a fraudulent attack should exceed 4 weeks for it to pass risk assessment. The reasons for this are that cheques are issued on a 4 weekly basis and that the claimant has 28 days to report changes in circumstances. It also makes investigation cost effective by ruling out minor breaches or indeed referrals which should be dealt with administratively, rather than by the fraud team.

Comments checked by Pam Wilkinson, Principal Solicitor - 01295 221688

Investigation: Analysis of previous years sanctions, has shown that had this policy been in place then that 8 cases would not have been pursued to sanction.

Comments checked by Jeff Brawley, Benefit Investigations Manager - 01295 221978

Wards Affected

All

Document Information

Appendix No	Title
Appendix A	Sanctions Policy
Background Papers	
DWP Sanctions	
Report Author	Jeff Brawley, Benefit Investigations Manager
Contact Information	01295 221978 Jeff.Brawley@Cherwell-dc.gov.uk

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Sanction Policy

1. Sanction Policy of Cherwell District Council

- 1.1 This document sets out the policy of Cherwell District Council towards sanctions, including criminal prosecutions, for offences relating to benefit fraud.
- 1.2 Housing Benefit and Council Tax Benefit are administered by local authorities as part of their statutory local government functions. The sanctions policy in each local authority is therefore a matter for its Members. However, to ensure a consistent approach, the local authority sanctions policy would broadly follow the approach of the Department for Work & Pensions.

2. General Principles

- 2.1 Cherwell District Council is committed to the prevention, detection, investigation and, where appropriate, prosecution of fraudulent benefit claims.
- 2.2 The aim is to prevent criminal offences occurring by making it clear to our customers that they have a responsibility to provide timely and accurate information about their claims; to punish wrongdoing; and to deter offending.
- 2.3 This policy supports the Council's commitment to reduce losses from fraud across the full range of welfare benefits and to protect public money.
- 2.4 Each potential fraud referral is risk assessed for its suitability for investigation. This assessment will result either in cases being subjected to criminal investigation, rejected, or referred to a more appropriate team for further investigation.
- 2.5 Investigations usually comprise a robust interview with the customer, where they are questioned about any allegations. Further action depends upon the outcome of the interview but they will be reminded of their responsibilities and may be advised about future conduct and required to rectify or withdraw their claim.
- 2.6 The evidence obtained in each case that is subject to criminal investigation is considered on its own merits, having regard to all of the facts in deciding the most appropriate sanction.

3. Organisation

3.1 Criminal investigations are undertaken by the Council's investigation team in accordance with:

- the Police and Criminal Evidence Act 1984 (PACE) and its codes of practice
- the Criminal Procedures and Investigations Act 1996 (CPIA) and its codes of practice
- all other relevant legislative and common-law rules
- Council policy
- advice from the Council's legal department.

3.2 Investigation Officers receive Professionalism in Security (PINS) training which is accredited by Portsmouth University. Additional guidance is provided by the Fraud Procedures and Instructions Manual to ensure that:

- investigations are conducted in a legal and professional manner
- policy and legislation is correctly applied, and
- approved working methods are applied.

3.3 The Council's Legal team decides whether cases submitted by Benefits Investigation are suitable for prosecution and then prosecute the case. Most cases are heard by a Magistrates Court, although the more serious cases are usually referred to Crown Court.

3.4 The Council's Legal team provides advice and guidance to investigators throughout the investigative and prosecuting process. They do not conduct any part of the investigation but advise on the investigator's obligations, evidential requirements and any appropriate charges. In deciding which cases are suitable for prosecution, the Council's Legal team applies the evidential and public interest tests set out in the Code for Crown Prosecutors.

3.5 The Council works closely with the DWP operating under similar prosecution practices. The Welfare Reform Act (WRA) 2007 provided local authorities with powers to investigate and prosecute offences against certain national social security benefits alongside Housing Benefit and Council Tax Benefit (HB/CTB). It also provided access to such information as is necessary to carry out these activities.

- 3.6 The DWP's Prosecution Division will prosecute benefit fraud cases involving joint benefits for those local authorities that have signed a Service Level Agreement with it.

4. Sanction Policy

- 4.1 Where an offence has been committed the Council can consider offering a caution, an administrative penalty, or instigating a prosecution. The choice will depend on the factors below.
- 4.2 An overriding factor for the Investigation team to consider is whether it would be cost effective to conduct an investigation. Therefore, 2 caveats are placed on an investigation when the customer has no fraudulent history. Firstly, that the overpayment/potential overpayment exceeds £150.00. This is because small overpayments are regarded as 'de minimis.' And/or secondly, that the length of the overpayment exceeds 4 weeks.
- 4.3 However, in cases which involve aggravating factors, these 2 caveats are discretionary. In addition, the Criminal Attempts Act 1981 will be used where appropriate.

4.2 Cautions:

- 4.2.1 A caution is an administrative sanction that Councils in England and Wales are able to offer as an alternative to a prosecution as long as specific criteria are met, and the case is one the Council could take to court if the caution was refused.
- 4.2.2 Cautions are usually aimed at the less serious benefit frauds and those where the overpayment is under £2,000. It can be used in those cases where the deterrent effect is considered a sufficient and suitable alternative to prosecution or an administrative penalty.
- 4.2.3 The offender must make a clear and reliable admission of the offence verbally or in writing and there must be a realistic prospect of conviction if the offender were to be prosecuted in line with the full Code Test of the Code for Crown Prosecutors.
- 4.2.4 If the customer is subsequently prosecuted for another benefit offence within 6 years of the original offence, then the caution may be cited in court.

4.3 Administrative penalties:

- 4.3.1 An administrative penalty is an offer to the customer to agree to pay a financial penalty where the customer has caused benefit to be overpaid to them, by either an act or omission. The amount of the penalty is currently stipulated at 30 per cent of the amount of the gross overpayment.

4.3.2 It is current Council policy to offer these penalties where the case is deemed to be not so serious and the offer of an administrative penalty is considered a suitable alternative to prosecution, and where the gross overpayment is under £2,000. Unlike cautions no admission of guilt is required from the customer before offering an administrative penalty, although there is a statutory requirement for investigators to ensure that there are grounds for instituting criminal proceedings for an offence relating to the overpayment.

4.4 Prosecutions :

4.4.1 If there is sufficient evidence the Investigation team will refer the case to the Council's Legal team for consideration of criminal prosecution where one or more of the following criteria are met:

- The gross adjudicated overpayment (including any other externally administered benefits) is £2,000 or over
- False identities or other personal details have been used
- False or forged documents have been used
- Official documents have been altered or falsified
- The person concerned occupied a position of trust
- The person concerned assisted or encouraged others to commit offences
- There is evidence of premeditation or organised fraud
- The customer had previously been convicted of benefit fraud
- The amount of the overpayment is under £2,000 and the offer of an administrative penalty or caution is not accepted.

4.4.2 In all cases, including those which do not fall within any of the above criteria, the Council's Legal team retains discretion as to whether criminal proceedings are started.

5. Loss of Benefit Provision

5.1 The Loss of Benefit Provision is designed to be a deterrent against the continued abuse of the benefit system by applying a benefit sanction

- against those convicted of one or more benefit offences within a prescribed period in each of two separate sets of criminal proceedings.
- 5.2 This provision allows the Council to apply a sanction in the form of a fixed 13 week benefit disqualification period where a person is convicted of benefit fraud in two separate proceedings, which have been committed within a five year period. Benefits can be withdrawn, or reduced by 20 or 40 percent for the 13 week period.

6. Recovery of Debt

- 6.1 Where an overpayment arising from fraud is identified the Council takes steps to recover the resultant debt, including taking action in the civil courts if necessary, in addition to any sanction it may impose in respect of that fraud.

Jeff Brawley – March 2009

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