

Committee: Accounts, Audit and Risk Committee
Date: Thursday 26 March 2015
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Mike Kerford-Byrnes (Chairman)	Councillor Dan Sames (Vice-Chairman)
Councillor Ray Jelf	Councillor Nicholas Mawer
Councillor Barry Richards	Councillor Lawrie Stratford
Councillor Douglas Williamson	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 - 4)

To confirm as a correct record the Minutes of the meeting of the Committee held on 21 January 2015.

6. Chairman's Announcements

To receive communications from the Chairman.

7. External Audit: Annual Audit Plan 2014-15 and Local Government Sector Briefing (Pages 5 - 44)

Report of Head of Finance and Procurement

Purpose of report

To receive Ernst Young's report setting out external audit's Annual Audit Plan for the financial year 2014-15.

Recommendations

The meeting is recommended:

1.1 To note the contents of Ernst Young report.

8. Internal Audit - Progress Report 2014-15 and Draft Internal Audit Plan 2015-16 (Pages 45 - 78)

Report of Head of Finance and Procurement

Purpose of report

To receive PwC's progress report summarising their internal audit work to date and to receive the Draft Internal Audit Plan for next year.

Recommendations

The meeting is recommended:

1.1 To note the contents of the 2014-15 progress report.

1.2 To note the details of the 2015-16 Draft Internal Audit Plan.

9. Closedown Update 2014-15 (Pages 79 - 90)

Report of Head of Finance and Procurement

Purpose of report

To inform members of the progress under which the Council prepares its annual Statement of Accounts together with the summary timetable for production.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- 1.1 To approve the closedown timetable summary as set out in Appendix 1.
- 1.2 To approve the response to external audit's request for management assurances from Those Charged With Governance in Appendix 2.

10. Third Quarter Risk Review (Pages 91 - 108)

Report of Head of Transformation and Acting Corporate Performance Manager.

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2014/15 and highlight any emerging issues for consideration.

Recommendations

The meeting is recommended:

- 1.1 Review the second quarter Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration.

11. Corporate Fraud Team (Pages 109 - 142)

Report of Head of Finance and Procurement

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an introduction to the new joint Corporate Fraud team including the team's business plan for 2015-2016 and to ask members to consider and endorse the joint Whistleblowing and Anti-Fraud and Corruption policies which have recently been reviewed.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report.
- 1.2 To consider and endorse some minor changes to the joint Anti-Fraud and Corruption Policy (appendix 2)
- 1.3 To consider and endorse some minor changes to the joint Whistleblowing Policy (appendix 3).

12. **Work Programme 2015-2016** (Pages 143 - 144)

The note the Committee's work programme.

Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwellandsouthnorthants.gov.uk or 01295 221554 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.

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.

Evacuation Procedure

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the car park as directed by Democratic Services staff and await further instructions.

Access to Meetings

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

Mobile Phones

Please ensure that any device is switched to silent operation or switched off.

Queries Regarding this Agenda

Please contact Sharon Hickson, Democratic and Elections
sharon.hickson@cherwellandsouthnorthants.gov.uk, 01295 221554

Sue Smith
Chief Executive

Published on Wednesday 18 March 2015

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 21 January 2015 at 7.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)
Councillor Dan Sames (Vice-Chairman)

Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Barry Richards
Councillor Barry Wood

Also Present: Councillor Ken Atack, Lead Member for Financial Management
Mick West, Director, Ernst Young, External Auditor
Edward Cooke, Manager, PriceWaterhouseCooper

Apologies for absence: Councillor Lawrie Stratford
Councillor Douglas Williamson

Officers: Paul Sutton, Head of Finance and Procurement
Nicola Jackson, Corporate Finance Manager
Natasha Clark, Team Leader, Democratic and Elections
Sharon Hickson, Assistant Democratic and Elections Officer

42 **Declarations of Interest**

11. Parish Councils Grant for Council Tax Reduction Scheme.

Councillor Barry Richards, Non Statutory Interest, as a member of Banbury Town Council.

Councillor Mike Kerford-Byrnes, Non Statutory Interest, as Chairman of Finmere Parish Council

Councillor Nicholas Mawer, Non Statutory Interest, as a member of Bicester Town Council

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

There were no Petitions or Requests to Address the Meeting.

44 **Urgent Business**

There was no urgent Business.

45 **Minutes**

The Minutes of the meeting of the Committee held on 3 December 2014 were agreed as a correct record and signed by the Chairman.

46 **Chairman's Announcements**

There were no Chairman's announcements.

47 **External Audit Update**

The Director, Ernst and Young, gave a verbal update on external audit informing members that there were no significant issues to report and providing an overview of the future areas External Audit would focus their audit plan on; group accounts for Graven Hill, the Council's capital programme, further joint working and the new financial management system.

Resolved

(1) That the verbal update be noted.

48 **Internal Audit Update**

The manager PricewaterhouseCoopers, gave a verbal update on internal audit. The Committee was advised that financial systems work had been completed and were in the review process and there were no significant issues to report. Work on scoping and finalising the joint working and IT reviews was underway.

Resolved

(1) That the verbal update be noted.

49 **Money Laundering Avoidance Policy, Anti Fraud and Corruption Update**

The Committee considered the report of the Director of Resources requesting endorsement of the Council's Money Laundering Avoidance Policy.

The Committee was advised that all staff working in areas more susceptible to this issue had received training on money laundering and the policy. Training on whistle blowing, money laundering and risk would be incorporated into the induction training for new staff.

Anti Fraud and Corruption update: the Head of Finance & Procurement explained that written reports would be submitted to the Committee in future as requested. At the next meeting in March, this update would be linked to the report on the new Corporate Fraud Team arrangements. The work programme for March also includes an update to the Whistle Blowing policy and Anti Fraud and Corruption Strategy.

Resolved

- (1) That the Money Laundering Avoidance Policy be endorsed.

50 **Q3 Treasury Management Report & Draft Treasury Management Strategy 2015-16**

The Committee considered a report of the Head of Finance and Procurement on treasury management performance and compliance with treasury management policy for 2014-15 for Quarter 3 ending 31 December 2014 as required by the Treasury Management Code of Practice.

In response to Members' comments, the Head of Finance and Procurement confirmed that officers continue to liaise with Capita Asset Services to ensure that the most up to-date advice was used in the Treasury Management Strategy.

Resolved

- (1) That the contents of the Quarter 3 (Q3) Treasury Report be noted
- (2) That the draft Treasury Management Strategy 2015-16 be noted

51 **Parish Councils Grant for Council Tax Reduction Scheme**

The Committee considered the report of the Director of Resources on the Parish Councils Council Tax Reduction Scheme.

The Head of Finance and Procurement explained that Parish councils received their annual letter regarding Parish Precepts and their grant for Council Tax Reduction Scheme (CTRS) on 18 December 2014. It subsequently came to light that calculations for the Grant for CTRS were not correct. The grants calculated and notified for 2015-16 had not followed the same principle as previous years and therefore needed to be amended. A revised letter was sent to all parish councils on 9 January 2015, offering assistance if required. The Head of Finance and Procurement confirmed that a number of Parishes had already been in contact.

Resolved

- (1) That the report be noted.

52 **Review of Work Programme**

The Committee considered its work programme 2014/15.

Resolved

- (1) That the work programme be noted, subject to the addition of New Corporate Fraud Team arrangements together with the and Annual Review of Fraud and Corruption Strategy to March

53 **Nicola Jackson, Corporate Finance Manager**

The Chairman advised the Committee that this was the Corporate Finance Manager's last meeting as she would be leaving the authority in March 2015.

The Committee thanked the Corporate Finance Manager for her hard work and support to the Committee and wished her every success in the future.

The meeting ended at 8.21 pm

Chairman:

Date:

Cherwell District Council

Accounts Audit and Risk Committee

25 March 2015

<p>External Audit: Annual Audit Plan 2014-15 and Local Government Sector Briefing</p>
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Report of the Head of Finance and Procurement

This report is public

Purpose of report

To receive Ernst Young's report setting out external audit's Annual Audit Plan for the financial year 2014-15.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of Ernst Young report.

2.0 Introduction

- 2.1 Attached at Appendix 1 is the Annual Audit Plan outlining the external auditor's proposed audit work for 2014-15.
- 2.2 Ernst Young's will provide a verbal update on progress at the meeting. Their local government sector briefing is attached at Appendix 2 for information.

3.0 Report Details

- 3.1 External Audit undertakes its work in line with the Audit Commission's Code of Audit Practice. The Audit Plan sets out the work that will be delivered during the year.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Annual Audit Plan sets out the proposed work that External Audit will undertake for 2014-15.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request further information from the External Auditor.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Denise Taylor, Corporate Accountant, 01295 221982

Denise.Taylor@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by:

Kevin Lane, Head of Law & Governance 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by:

Denise Taylor, Corporate Accountant, 01295 221982

Denise.Taylor@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Annual Audit Plan 2014-15
Appendix 2	Local Government Sector briefing
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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Cherwell District Council

Year ending 31 March 2015

Audit Plan

25 March 2015



The Members of the Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury OX15 4AA

25 March 2015

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Accounts, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2014-15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Accounts, Audit and Risk Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 25 March 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mick West
For and behalf of Ernst & Young LLP
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Accounts, Audit and Risk Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

1.1 Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Cherwell District Council's (the Council) give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended.
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness – the value for money conclusion.

We will also review and report to the National Audit Office (NAO), to the extent and in the form it requires, on the Council's Whole of Government Accounts return.

The Audit Plan also outlines our planned work on the certification of the housing benefits subsidy claim.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements
- ▶ Developments in financial reporting and auditing standards
- ▶ The quality of systems and processes
- ▶ Changes in the business and regulatory environment
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter most and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

1.2 Identified audit risks

We set out below the risks we have identified to the audit of the Council's financial statements and value for money conclusion.

Financial statements – significant risk

- ▶ Fraud and management over-ride risk - this is an inherent risk in all audits. For local authorities the risk arises due to the nature of local authority finances and ever increasing pressures on management to achieve financial targets.

Financial statements – other risks

- ▶ Group accounts – the Council is required to prepare group accounts for the first time this year. These accounts will be subject to audit.
- ▶ New general ledger – there is no direct impact on the 2014-15 closedown process as the new system is not introduced until 2015-16, but management needs to ensure that the existing system is fully supported until the conclusion of the audit.
- ▶ Treasury management – there are accounting implications associated with borrowing and funding of the Council's regeneration programme which will need to be considered.

Value for money conclusion – other risks

- ▶ Financial resilience - with the ongoing economic climate and tighter local government financial settlement, the pressure on financial resources continues to increase. The Council acknowledges that these pressures will adversely impact on its medium term financial plans and are likely to lead to difficult decisions in later years.

- ▶ Regeneration and the capital programme - as the Council takes on more and more complex regeneration and capital developments the greater is its exposure to the risk of things going wrong and the significance of the impact of any resulting failures.
- ▶ Expansion of joint working arrangements - the Council in partnership with South Northamptonshire and Stratford Councils is moving towards a confederation model of service delivery. This has inherent risks as well as opportunities.

In sections 3 and 4 of this plan, we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section 6.

We will provide an update to the Accounts, Audit and Risk Committee on the results of our work in these areas in our Audit Results Report, scheduled for delivery in September 2015.

1.3 Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls. We currently expect to rely on controls over some of the Council's systems and to the fullest extent permissible by auditing standards, we will seek to rely on the work of Internal Audit wherever possible.

Mark Surridge is the new Manager on the audit, taking over from Alastair Rankine. Other key members of our audit team are Mick West (Director) and Chris Baston (Lead Executive).

There has been no change to the scope of our audit compared to previous audits.

Arrangements for securing economy, efficiency and effectiveness – value for money conclusion

Our approach to the value for money conclusion for the Council for 2014-15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ Securing financial resilience.
- ▶ Challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 4 of this Audit Plan.

Certification work

We certify the Council's housing benefits subsidy claim using the Audit Commission's certification arrangements.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014-15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014-15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussions with those charged with governance and officers.

We assess the impact on our audit approach and set out below the key areas of focus for our audit of the financial statements. A significant risk is an identified assessed risk of material misstatement that, in an auditor's judgement, requires special audit consideration. We identified no significant risks other than the general risk of management override. There is one presumed significant risk which is applicable to all audits under international auditing standards.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions.
Other financial statement risks	Our audit approach
<p>Group accounts</p> <p>The Council will perform the function of a strategic developer for the Graven Hill project through a 100% owned Company Limited by Share (Graven Hill Development Company).</p> <p>The Company is a separate legal entity and will be required to prepare its own single entity accounts, which will be subject to audit in their own right. Although transactions in 2014-15 will be limited to acquisition costs and other incidental expenditure, these costs are likely to be above the threshold requiring consolidation in the controlling entities accounts.</p> <p>This means that for the first time in 2014-15 the Council will be required to prepare group accounts to incorporate the financial results of the Company.</p>	<ul style="list-style-type: none"> ▶ We will develop appropriate audit procedures to enable us to form our opinion on the group accounts. This will include an assessment of the inherent risk of a new subsidiary, the nature, value and volume of transactions (including consolidation adjustments) and the work of the Company's accountant and auditor. ▶ The cost of the additional audit work is not covered by the Audit Commission's scale fee and will be subject to a scale fee variation.

Other financial statement risks not directly impacting 2014-15, but to be kept under review

Our audit approach

New general ledger system	
<p>The Council will be changing its general ledger provider with the new system becoming live during the 2015-16 financial period.</p> <p>We do not expect this to have a direct impact on the closedown of the 2014-15 accounts as the existing system will be used for the production of the accounts and will be maintained until completion of the audit.</p> <p>However, running the two systems in tandem could create operational difficulties and management will need to ensure that support for the existing system is preserved notwithstanding the changeover to the new system.</p>	<ul style="list-style-type: none"> ▶ No substantive work is proposed in 2014-15, although we shall maintain a watching brief over developments. ▶ When the new ledger is implemented, we will consider the adequacy of controls to manage the change-over and implementation process.
Treasury management	
<p>The Council for the first time in many years are contemplating going to the market to raise funds. This constitutes a significant shift in the Council's treasury management strategy. The Council is guided in this by its revised Treasury Management Strategy which provides the regulatory framework and by expert advice from its fund manager Capita.</p> <p>However, the composition of the Council's balance sheet could change as different funding vehicles are created. There is also potential for the receipt of specific government grant funding linked to the Council's regeneration agenda which also has accounting implications.</p>	<ul style="list-style-type: none"> ▶ Maintain oversight of developments; ensure Council decisions on borrowing are consistent with the prudential code and its own financial procedures. ▶ Review accounting treatment on government grants.

3.1 Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages
- ▶ Enquiry of management about risks of fraud and the controls to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address any identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money conclusion for is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Council for securing:

- ▶ Financial resilience
- ▶ Economy, efficiency and effectiveness in the use of resources

The Audit Commission *2014/15 auditor guidance on the conclusion on the arrangements to secure vfm* requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure value for money.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our value for money conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local value for money work.

At this stage we have not identified any significant risks. However, we have identified the following key areas that we will consider to support our value for money conclusion. We acknowledge the Council operates in a context of increasing financial pressure.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Other areas of focus	Impacts arrangements for securing:	Our audit approach
Financial resilience		
<p>The Council has a good track record of financial management but its 2014-15 position is tight. At quarter three, the Council is projecting a net £327,000 surplus for the year. There are significant pressures within this; albeit offset by increased income but the overall prospects of spending within the 2014-15 budget are good.</p> <p>We will continue to monitor the 2014-15 revenue position and review the year end outturn.</p> <p>For 2015-16 the Council has narrowed the gap as per its initial budget (£186,000) and the current iteration of the budget shows a surplus of £6,000. This signals good progress but in so doing the Council has exhausted many of the options available to it making balancing the budget without recourse to reserves more difficult.</p> <p>We recognise that achieving sustained financial balance over the medium term is a top priority for the Council but also a significant challenge.</p>	<p>Financial resilience</p>	<p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ▶ The achievement of the planned savings in 2014-15 ▶ The Council's medium term financial plans ▶ We will place reliance on the work of Internal Audit to gain assurances that budgetary control procedures are operating effectively

Other areas of focus	Impacts arrangements for securing:	Our audit approach
Managing the regeneration agenda – governance		
<p>As the Council takes on more and more complex regeneration and capital developments the greater is its exposure to the risk of things going wrong and the significance of the impact of any resulting failures.</p> <p>As part of our 2013-14 audit we reviewed the early stages of the Graven Hill project; and Internal Audit has completed further work to review arrangements and the business case. Current audit assessment is positive. However, as developments continue the more conventional models of working and relationships are changing and risks and returns are being spread more widely through the public and private sector stakeholders.</p> <p>We have identified the following as being critical to the success of the Council’s regeneration plans:</p> <ul style="list-style-type: none"> ▶ Risk management ▶ Financial governance ▶ Project management <p>The Council needs to ensure that adequate arrangements are established and firmly embedded</p>	<p>Financial resilience</p> <p>Economy; efficiency and effectiveness</p>	<ul style="list-style-type: none"> ▶ We will seek assurances from management that adequate governance arrangements are in place to support the Council’s regeneration agenda.
Expansion of joint working arrangements		
<p>The Council in partnership with South Northamptonshire and Stratford Councils is pursuing an ambitious programme of collaborative working. Shared services already exist in a number of areas and these are largely working effectively.</p> <p>However, the Council’s transformational programme is gathering momentum and the Council and its partners are proposing to establish a confederation model (initially with three partners) for the provision of services through a Council controlled company.</p> <p>In our value for money conclusion work last year we reviewed the Council’s transformational plans and reported positively on the general approach.</p> <p>However, the pace of change is rapid and management has prepared a full business case for the consideration of all Councils to move to a confederation model. The report and business case were considered by members of the Executive at their meeting on the 15 December 2014.</p>	<p>Economy; efficiency and effectiveness</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing the Council’s business case and subsequent developments ▶ considering any internal and external reviews undertaken (for example, the Internal Audit review in the 2014-15 plan)

We will keep our risk assessment under review throughout our audit and communicate to the Accounts, Audit and Risk Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

5. Certification work for housing benefits

Certification work involves executing prescribed tests which are designed to give reasonable assurance that the Council's housing benefits claim is fairly stated and in accordance with specified terms and conditions. Certification work is not an audit.

The work necessary is determined by the Department of Works and Pensions.

Based on previous experience we expect to carry out limited extended testing, known as 40+ testing.

Where possible we integrate our benefits certification work with our opinion and other work. We also aim to rely on the work of internal audit and benefits staff where possible.

We will report to the Accounts, Audit and Risk Committee the results of our benefits certification work.

The Audit Commission has set an indicative fee for benefits certification work for each body. The indicative fee is based on actual benefits certification fee for 2012-13.

The indicative fee is based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims, with supporting working papers, within agreed timeframes.

6. Our audit process and strategy

6.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the Code) our principal objectives are to review and report on, the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources

to the extent required by the relevant legislation and the requirements of the Code.

We will issue a two-part audit report covering both of these objectives.

i) Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form it requires.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our value for money conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience - whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness - whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

6.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and valuations
- ▶ Substantive tests of detail of transactions and amounts.

Processes

Our initial assessment has identified the following key processes where we will seek to test the Council's key financial controls:

- ▶ Financial accounts closedown
- ▶ Council tax income
- ▶ Business rates income
- ▶ Housing benefit and council tax reduction.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Accounts, Audit and Risk Committee.

Internal Audit

We will work collaboratively with Internal Audit to ensure you receive maximum value from your assurance providers. We will discuss and review the Internal Audit Plan and the results of its work to understand the impact on our audit approach.

Use of experts

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions and valuations.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section 3, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error
- ▶ Significant disclosures included in the financial statements
- ▶ Entity-wide controls
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements
- ▶ Auditor independence

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO
- ▶ Reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements

6.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have determined that overall materiality for the financial statements audit is £1.6m, based on 2% of gross expenditure.

We will communicate uncorrected audit misstatements greater than £78,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

6.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The scale fee for the audit is £69,503, together with an estimated fee of £16,660 for the certification of the housing benefits subsidy claim.

We have requested an increase to the scale fee to cover the work required for the Council's group accounts. We will inform the Audit Committee of the variation once agreed by the Audit Commission.

6.5 Your audit team

The engagement team is led by Mick West who has significant public sector audit experience. Mick West is supported by Mark SurrIDGE and Chris Baston who are responsible for the day-to-day direction of audit work, and who are the key point of contact for the Head of Finance and Procurement.

6.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the work on the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Accounts, Audit and Risk Committee's cycle in 2014 and 2015. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Accounts, Audit and Risk Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Accounts, Audit and Risk Committee timetable	Deliverables
High level planning:	November - December 2014		
Risk assessment and setting of scopes	January 2015	26 March 2015	Audit Plan
Testing of routine processes and controls	February - March		
	June	24 June 2015	Interim results report
Year-end audit including WGA	July - September	23 September 2015	Audit Results Report to those charged with governance Auditor's report (including our opinion on the financial statements and value for money conclusion) Audit report on the WGA Audit completion certificate
Reporting on the audit	October	2 December 2015	Annual audit letter
Benefit claim	May - November		Certified claim
Reporting on certification work	December	20 January 2016	Annual certification work report

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

7. Independence

7.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review ▶ The overall assessment of threats and safeguards ▶ Information about the general policies and process within EY to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed ▶ Details of non-audit services provided and the fees charged in relation thereto ▶ Written confirmation that we are independent ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy ▶ An opportunity to discuss auditor independence issues

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

7.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

We confirm that EY is independent and the objectivity and independence of Mick West, the audit engagement Director and the audit engagement team have not been compromised.

7.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014

Appendix A Fees

A breakdown of our agreed fees is shown below. We have set the planned Code fee at the Audit Commission scale fee; and the certification fee at the Audit Commission indicative scale fee.

	Planned Fee 2014-15 £	Actual fee 2013-14 £	Scale fee 2013-14 £	Notes
Code work	69,503	69,503	68,603	We are in the process of agreeing a variation to the 2014-15 audit fee to cover the additional work required for the Council's group accounts.
Certification of housing benefits subsidy claim	16,660	13,400	13,400	
Non-audit work				No additional work is planned

All fees exclude VAT.

The agreed fees presented above are based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables
- ▶ There are no significant deficiencies in the operating effectiveness of the internal controls for key processes
- ▶ The Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based
- ▶ Our accounts opinion and value for money conclusion being unqualified
- ▶ Appropriate quality of documentation is provided by the Council and queries raised are answered promptly and effectively
- ▶ The Council has an effective overall control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to those charged with governance, the Accounts, Audit and Risk Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ significant difficulties, if any, encountered during the audit ▶ significant matters, if any, arising from the audit that were discussed with management ▶ written representations that we are seeking ▶ expected modifications to the audit report ▶ other matters if any, significant to the oversight of the financial reporting process 	<p>▶ Report to those charged with governance</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ uncorrected misstatements and their effect on our audit opinion ▶ the effect of uncorrected misstatements related to prior periods ▶ a request that any uncorrected misstatement be corrected ▶ in writing, corrected misstatements that are significant 	<p>▶ Report to those charged with governance</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ enquiries of the Accounts, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ a discussion of any other matters related to fraud 	<p>▶ Report to those charged with governance</p>
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ non-disclosure by management ▶ inappropriate authorisation and approval of transactions ▶ disagreement over disclosures ▶ non-compliance with laws and regulations ▶ difficulty in identifying the party that ultimately controls the entity 	<p>▶ Report to those charged with governance</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ management's refusal for us to request confirmations ▶ inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ enquiry of the Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Risk Committee may be aware of 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ the principal threats ▶ safeguards adopted and their effectiveness ▶ an overall assessment of threats and safeguards ▶ information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ whether the events or conditions constitute a material uncertainty ▶ whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ the adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ breakdown of fee information at the agreement of the initial audit plan ▶ breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary

Required communication	Reference
<p data-bbox="352 286 517 313">Group audits</p> <ul style="list-style-type: none"> <li data-bbox="352 331 1070 389">▶ An overview of the type of work to be performed on the financial information of the components <li data-bbox="352 398 1155 488">▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components <li data-bbox="352 497 1166 586">▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work <li data-bbox="352 595 1166 685">▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted <li data-bbox="352 694 1166 813">▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan
<p data-bbox="352 831 580 857">Certification work</p> <ul style="list-style-type: none"> <li data-bbox="352 871 927 898">▶ Summary of certification work undertaken 	<p data-bbox="1187 831 1453 1048">Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

Appendix C Detailed Scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the EY audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support the consolidated audit).
- ▶ Specific scope: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the EY audit team.
- ▶ Limited Scope: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

For the first time in 2014-15 the Council will be required to prepare group accounts to incorporate the financial results of Graven Hill Development Company, a 100% owned company limited by share. We are currently in discussions with officers to determine the extent of work required to obtain the necessary assurance over the group accounts.

Based on the information provided to date, we expect that we will carry out limited scope procedures on the subsidiary. We will, however, keep this under review as, at the time of preparing this plan:

- ▶ The accounting basis for the subsidiary has not yet been agreed - ie whether the subsidiary's accounts will be based on UK GAAP or International Financial Reporting Standards.
- ▶ We have not yet reviewed any aspects of the Company's financial affairs and are not yet in a position where we are able to confirm the complexity and materiality of the transactions incurred in 2014-15.
- ▶ We understand accountants have been appointed to the Company; however, we are not yet certain whether the Company's accounts will also be audited by them.

We are in continuing dialogue with the Council on this matter and will update the Accounts, Audit and Risk Committee at the earliest opportunity on the nature, timing and extent of our group audit procedures.

Appendix D CV of your new audit manager



Mark Surridge
Audit Senior Manager
E: msurridge@uk.ey.com
M: 07875 974 291

Role

Mark will be responsible for the day to day delivery of our audit work with you. He will oversee the delivery of our team on site and be responsible for ensuring the quality of the work delivered. Alongside Mick and Chris, Mark will also be an initial liaison point for discussions with you on the progress of the audit.

Skills and experience

- ▶ Mark specialises in public sector external audit in local government, health and not for profit sectors. He joined EY in January 2015.
- ▶ With 15 years' experience of working in this sector, he has substantial project management skills to meet tight deadlines and respond to client needs.
- ▶ Mark has delivered a range of audit, assurance and advisory projects to local authorities and is able to demonstrate a detailed working knowledge of the key challenges facing the sector.
- ▶ Mark also has substantial experience in working with local authorities that have extensive joint working, including shared management teams and multiple shared services.
- ▶ He has carried out assurance based reviews over the medium and long-term financial plans for various bodies. Most recently, he developed a financial costing model to support the merger of two public sector organisations and a business plan for a local authority subsidiary, which included a business valuation and exit plan to support the sale of the business to the private sector.
- ▶ His breadth and depth of experience provides a balanced and commercial insight into the organisations he works with, providing true added value through regular interaction with his clients.
- ▶ Mark has a number of published articles and thought-leadership documents to demonstrate expertise in corporate governance advisory work, including board governance, financial governance and audit committee effectiveness.
- ▶ Mark also spent two years working for one of the world's largest drinks manufacturers where he led operational and financial reviews designed to identify efficiencies. He then became the Commercial Finance Manager for the Group's Asia operations, where he led the company's first review of its China operations.

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

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Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.





Government and economic news

EY ITEM Club Winter Forecast 2014-15

The latest forecast by the EY Item Club for winter 2014-15 highlights the global oil price collapse, which is creating winners and losers worldwide – with the UK decisively a winner. It sees cheaper energy giving consumers a major shot in the arm and driving inflation as measured by the Consumer Prices Index (CPI) down to an average of zero this year. As a result EY Item Club has revised up its forecast for UK GDP growth in 2015 to 2.9% from 2.4% in October. With inflation averaging zero in 2015, this will effectively put any rise in base rates on hold until 2016. Together with stronger real income growth, a boost in housing activity is predicted.

Against this, the negatives are risks which could arise, as opposed to existing ones. A lack of demand in the global economy is a factor reflected in the oil price and worries over the Eurozone are intensifying. Additionally, the consumer-led growth in the UK economy will leave it even more unbalanced and dependent on domestic consumption.

2015-16 Local Government settlement

Following the provisional settlement published in December 2014, the government has published its final 2015-16 settlement in February. The overall reduction in spending power has been calculated as 1.7%, with a maximum reduction of 6.4%.

An additional £74mn has been allocated to upper tier authorities to reduce pressures in areas including local welfare and health and social care budgets.

The government also announced £37mn being provided to Authorities in 2014-15 for the provision of additional support packages to prevent hospital admissions where possible, and ensure that support is available to enable patients to leave hospital when they are ready.

The Local Government Association (LGA) has produced a briefing on the final settlement which includes the following messages:

- ▶ Councils will have to make savings of £2.5bn in their budgets in 2015-16. Sixty percent of respondents to an LGA survey in 2014 were considering stopping at least some key local services in 2015 due to lack of funding, which demonstrates the future pressure on front line services unless savings and alternative income streams are identified, and existing income streams maximised.
- ▶ Services including social care for children are seeing reductions for the first time
- ▶ Reductions of the same magnitude are forecast by the Office for Budget Responsibility and the Institute for Fiscal Studies until 2020
- ▶ The LGA welcomes the announcement of an additional £74mn, but calculates a reduction in welfare funding of £100mn



Accounting, auditing and governance

Annual reports and accounts – lessons from the private sector

In its September 2014 report *Out with the old, in with the new* EY made observations from its review of 2013 annual reports in the FTSE 350. The issues and challenges addressed resonate strongly in the public sector. In this article, we consider some of the key messages from that report and how local government bodies can benefit from embracing those messages.

Does size matter?

It is a difficult balancing act to decide the optimum level of information reported to stakeholders. EY's report found that the best Annual Reports and Accounts were not necessarily the longest or the most detailed. Stakeholders want the annual report to present concise and relevant information in a way that helps them understand how their money is being spent and how their services are being managed, along with a clear description of the risks and challenges that lie ahead.

Think FBU – 'fair, balanced and understandable'

The annual report is a chance for bodies to tell the story of the last 12 months, and FBU is a helpful guiding concept. The focus of the report should be on the narrative – why we exist, our strategic priorities, how we have progressed over the last 12 months. Some of the best examples of transparent reporting explained 'what didn't go to plan' in key areas of the narrative. Reporting weaknesses, difficulties and challenges as well as successes, makes for a 'fair' and 'balanced' report and, over time, will help build trust with stakeholders. The best annual reports will have clear signposting between each section and will cross refer between sections.

Bodies should do more to integrate financial and non-financial reporting, for example, by highlighting the key financial

and non-financial strategic objectives and how chosen key performance indicators are truly driving value and achievement against these objectives. There should be a clear explanation of how risks impact the organisation and could impede the achievement of strategic objectives.

Good reporting of governance

The annual governance statement is particularly susceptible to repetition of boiler plate disclosures. The most important, interesting and valuable governance information is what the body actually did from a governance standpoint during the year and what changed. Be clear in what the messages are that need to be conveyed, including:

- ▶ Compliance with the CIPFA/SOLACE principles of good governance
- ▶ Key risks and challenges identified at the start and during the year
- ▶ Clear explanation of how these challenges were addressed
- ▶ Clear explanation of failings in governance
- ▶ Changes to governance arrangements made as a result
- ▶ Reports from those charged with governance describing what the board and its committees did in the year and a flavour of outcomes from their review of effectiveness

Conclusion

Good annual reporting should not be seen as a checklist exercise in disclosures. Continued focus should be put on making annual reports more helpful and understandable for stakeholders.



Accounting, auditing and governance

Highly paid off-payroll appointments

What's the issue?

There have been some high profile cases where Government departments engaged individuals who had controlling roles in large public funded organisations but who were not directly employed by the organisation.

As a result of these cases the Treasury requires public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements).

What should your organisation have done about it?

To avoid sanction from HMRC and adverse publicity all public sector bodies are required to:

- ▶ Identify all contracts over £220 per day, which are expected to last for more than six months
- ▶ Ensure those arrangements contain clauses allowing your organisation to request assurance that the individual is paying the right amount of tax
- ▶ Undertake a risk assessment of all off-payroll engagements to determine whether assurance needs to be sought that the individual is paying the right amount of tax and where necessary that assurance has been sought
- ▶ Monitor whether assurance has been provided by each individual and maintain evidence
- ▶ If no assurance has been provided by the individual consider terminating the contract or putting the individual onto the organisation's payroll
- ▶ Comply with the detailed additional disclosures required in your Annual Reports

Local Government Association consultation – sector-led improvement

The Local Government Association (LGA) has issued a consultation on the future of sector-led improvement, with a closing date of 15 March 2015.

Following the abolition of the previous national performance framework, sector-led improvement was introduced, with the LGA taking the role of supporting the sector. It was based on the premise that Authorities are accountable and responsible for their own performance. This shifted the emphasis from national accountability to local accountability, however it also removed the obligation for Authorities to be involved which left external stakeholders unsure about the robustness of the approach.

The LGA are taking stock to identify whether or not the approach is suitable, and whether or not any changes to the approach are necessary. The consultation also gives the opportunity for comment on the inspection of children's services.

All Chief Executives and Leaders should have been sent a unique link to enable them to respond. Others wishing to respond can do so either by filling out the online form or by emailing the LGA.

What makes a successful project in government?

Major government projects often hit the headlines for cost and time over-runs and but there are many examples of projects which are being delivered successfully.

As Authorities are increasingly facing funding pressures and looking for innovative ways to manage their finances, we are sharing some themes from the 2014 Successful Projects in Government conference. The conference was designed by the UK's Major Projects Authority, in cooperation with EY, the Ministry of Defence and the Nuclear Decommissioning Authority to share details of projects that had been delivered successfully due to the



Accounting, auditing and governance

leadership talents and ingenuity of project teams in tackling the challenges that all major projects face.

It brought together senior colleagues from across UK government departments to illustrate that despite the negative picture often painted of project delivery in government, the reality is different.

According to Brian Gorman, UK GPS Advisory Leader, who led the initiative “There is no ‘one size fits all’ solution to project success. The skills and capabilities required for Infrastructure projects can be very different to the skills and capabilities required for service delivery projects. We need to recognise these differences more explicitly in how we conceive, design, plan and resource our projects if we are to deliver maximum value for our investment.”

The 40 case studies and outputs from the event have now been captured in a publication, designed to be a practical tool and network resource for those planning to undertake projects in the future, both in the UK and globally.

To explore these attributes in real situations, the projects showcased have been split into three central themes:

service delivery, transformation and infrastructure. Each project provided fresh insights and nuances into what it takes to be successful but five common themes emerged across them all:

- ▶ Strong leadership to inspire, challenge and champion
- ▶ Accountability through and across the project
- ▶ Clear line of sight to crisp policy intent
- ▶ Experienced team who know their business and the business
- ▶ Strong stakeholder management

Audit Commission report on data quality

The Audit Commission has produced a report on data quality, entitled *Data quality matters*, which reflects on the past work of the Audit Commission and its appointed auditors in relation to data quality.

The report emphasises the importance of data quality, and notes that it is an essential part of robust governance arrangements for securing value for money; since flawed data can result in ineffective decision making.

The key lessons that the report seeks to draw out are:

- ▶ Governance will be most effective when it involves two-way dialogue with the front line, to communicate the importance of data quality
- ▶ The value of data quality needs to be communicated throughout organisations
- ▶ The front line should be engaged in ensuring data quality
- ▶ Data quality should be assured as close as possible to the point of capture



Regulation news

Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 received Royal Assent on 30 January 2014. This officially makes it possible for the Audit Commission to effectively be wound down on 31 March 2015.

Several of the Audit Commission's key functions will continue after its closure. These are summarised below:

Management of Audit Contracts:

In order to continue with the management of audit contracts the Local Government Association has created an independent company to oversee the audit contracts. This independent organisation will be called Public Sector Audit Appointments Limited.

National Fraud Initiative:

The responsibility for managing, administering and reporting on the National Fraud Initiative (NFI) will pass to the Home Office with effect from 1 April 2015.

Code of Audit Practice:

Responsibility for producing and updating the Code of Audit Practice will pass to the National Audit Office with effect from 1 April 2015.

Section 32 of the Local Audit and Accountability Act 2014 gives the Secretary of State the power to make provision through regulations about the financial management, internal control, and annual accounts and audit procedures applying to relevant authorities. The Accounts and Audit Regulations 2015 were laid before Parliament on 17 February 2015 and reflect the requirements relating to annual published accounts and audit procedures applying to relevant authorities. The 2011 regulations will continue to apply for the completion of 2014/15 audits, with the 2015 regulations coming into effect for financial years beginning on or after 1 April 2015.

As noted in the January briefing, the Act introduces a compression of the audit timetable for Local Government accounts. This will require the publication of accounts, together with their audit opinion by the 31 July of the financial year immediately following the end of the financial year to which the statement relates. The explanatory memorandum accompanying the Act reiterates the Government's decision to defer this change until 2017/18 to allow a reasonable timescale for Local Government bodies and their auditors to adjust.



Regulation news

NAO – draft Code of Audit Practice

The Local Audit and Accountability Act 2014 provides the legislative basis for the new framework for the audit of local public bodies which was announced by the Government in August 2010.

Previously, the Audit Commission was responsible for the preparation and maintenance of a Code of Audit Practice, which sets out the respective responsibilities of audited bodies and auditors; and explains what local auditors should do to meet their statutory responsibilities for the audit of local public bodies. The Local Audit and Accountability Act makes the Comptroller and Auditor General responsible for the preparation and maintenance of the Code of Audit Practice following the closure of the Audit Commission.

The National Audit Office (NAO) sought the public's views on the draft of its first Code in a consultation that ended at the end of October 2014, and published a final draft code in January 2015.

A key difference as compared to the Audit Commission codes, is that the NAO have taken the decision (which was supported by the majority of responses to the consultation) to produce a single code for all bodies within the new arrangements for local public audit.

The NAO have also pointed out that the Code is principles-based, and will be supported by detailed guidance to auditors which they will seek to provide with the aim of facilitating consistency whilst recognising that the same approach will not always be the most appropriate for all audited bodies.

Subject to Parliament's approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015-16 financial year onwards.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

- ▶ How have we satisfied ourselves that we are fully compliant with the HMRC requirements regarding our off-payroll staff members?
- ▶ Have our officers critically evaluated the closedown process to identify areas that could be streamlined or brought forward? Are we aware of the areas of the 2014-15 accounts that will contain a higher risk of error and therefore require closer scrutiny?
- ▶ What have our experiences of sector-led improvement been? Are we satisfied that our electorate are able to hold us accountable, and if not, what can we do to enhance local accountability?
- ▶ What can we learn from successfully implemented major projects and how can we apply them to our own initiatives to maximise our finances to ensure that they are effective?
- ▶ Have we monitored our data quality arrangements and adjusted them in the light of changing risks and priorities?
- ▶ Do our data quality arrangements remain robust and effective?



Find out more

EY Item Club

Read more from the ITEM club at: <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

2015-16 Local Government settlement

Read about the final finance settlement at: <https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2015-to-2016>

The LGA briefing can be accessed at: <http://www.local.gov.uk/documents/10180/5533246/LGA+Briefing+-+Local+Government+Finance+Settlement+2015-16+-+House+of+Commons+-+10+02+15.pdf/bbd1db5b-4363-4582-937e-7b92dcf60e60>

Highly paid off-payroll appointments

For further information see the HMRC guidance at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf

LGA consultation on the future of sector-led improvement

See details of the consultation at the link below: <http://www.local.gov.uk/documents/10180/6869714/L14-551+Where+next+with+sector-led+improvement/99e45118-653f-4749-a9ae-01b83d796cf0>

What makes a successful project in government?

For further details of the case studies presented at the conference, ask a member of your EY engagement team for a copy of the full publication.

Audit Commission report on data quality

Find the report and supporting documents at: <http://www.audit-commission.gov.uk/2015/02/data-quality-matters/>

Local Audit and Accountability Act 2014

The allocation of responsibilities is available at: www.audit-commission.gov.uk/about-us/the-future-of-the-audit-commissions-functions/

The Accounts and Audit Regulations Act 2015 can be found at: <http://www.legislation.gov.uk/ukxi/2015/234/contents/made>

NAO – draft Code of Practice

Read the final draft code in full at: http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2014/09/Final_Draft_Code_of_Audit_Practice.pdf

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ED None

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Cherwell District Council

Accounts Audit and Risk Committee

26 March 2015

<p>Internal Audit – Progress Report 2014-15 and Draft Internal Audit Plan 2015-16</p>
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Report of the Head of Finance and Procurement

This report is public

Purpose of report

To receive PwC's progress report summarising their internal audit work to date and to receive the Draft Internal Audit Plan for next year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the 2014-15 progress report.
- 1.2 To note the details of the 2015-16 Draft Internal Audit Plan.

2.0 Introduction

- 2.1 Internal Audit undertakes its work in line with their Audit Plan issued March 2014.

3.0 Report Details

- 3.1 Internal Audit is on track to deliver its planned programme of work for the year (attached in Appendix 1).
- 3.2 Internal Audit have drafted the 2015-16 plan to be discussed and agreed with JMT. The detailed plan is attached at Appendix 2.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The progress report summarises the progress of internal audit's work.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information. However, members may wish to request further information from the Chief Internal Auditor.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Denise Taylor, Corporate Accountant, 01295 221982
Denise.Taylor@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance
0300 0030107 Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by: Denise Taylor, Corporate Accountant, 01295 221982
Denise.Taylor@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	PwC Progress Report 2014-15
Appendix 2	PwC Draft Internal Audit Plan 2015-16
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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Internal Audit Progress Report

Update to the Accounts, Audit and
Risk Committee on Internal Audit
activity

Cherwell District
Council

March 2015

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Introduction

We are committed to keeping the Accounts, Audit and Risk Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the committee and to bring to your attention matters that are relevant to your responsibilities as members of the committee.

We have also attached again for reference some of the latest publications that might be of interest to you as members of the committee (these are included in Appendix 1).

2014/15 audit plan update

Please find a summary of the latest position against the plan. We remain on course to deliver the plan by 31 March 2015, with the exception of the year end support which again is scheduled for June 2015 when the draft statement of accounts are prepared and does not form a review of the control environment.

This remains as previously reported in both our September and December updates to the committee.

2015/16 audit plan

We have commenced planning for the 2015/16 audit year and have either met with or plan to meet with Council officers. We would welcome the opportunity to discuss our early thoughts on the plan with members at the committee and to consider any suggestions for allocation of audit resources in 2015/16.

Graven Hill: Phase 2 Review – Final Report

We completed our second phase review over the Council's Graven Hill business case and have reported back our key findings to officers. There was no risk rating provided for this review and our report summarised our findings relating to the governance arrangements around the Council's business case.

Our review revealed no issues relating to the Councils' controls and approach to its business case over the proposed Graven Hill development that we wish to draw to the attention of the Committee.

Reporting activity and progress

A summary of the 2014/15 Audit Plan and amendments made are included in the summary below.

Ref	Auditable Unit	Original Plan Days	Updated Plan Days	Update
A	Cross-cutting Processes			
A.1	<p>Finance Systems</p> <ul style="list-style-type: none"> • General Ledger (4) • Payroll (4) • Collection Fund (Council Tax and NNDR) (6) • Housing Benefits (4) • Treasury (4) 	22	22	<p>There are no significant matters to be raised to date on the reviews completed.</p> <p>We have completed all the reviews at the end of February and are in the process of final review and quality assurance processes and some additional matters of clarification to complete before finalising.</p>
A.2	<p>IT Systems (Finance System - Civica)</p> <p>Ongoing review and support in change management and finance system upgrades</p>	7	7	<p>Given the decision to change finance systems to Civica across the three councils with a go live date from 1 April 2015, we have combined our IT reviews and Programme management work. We plan to start this review during March. We have agreed the scope with the Head of Customer Access and Head of Joint ICT Business Services.</p> <p>The review will look at the project management of the implementation and consider pre and post implementation arrangements.</p> <p>The IT element will review the business continuity and disaster recovery elements given this significant change in financial system.</p>
A.3	<p>Review of Corporate Costs</p> <ul style="list-style-type: none"> • Corporate Telephony Costs 	3	3	<p>This is likely to be deferred into early quarter 1 of 2015/16 should management consider this to be a continued area of focus and will utilise some of our data analytics tools.</p>

	Specific Follow Up Review	0	6	<p>We will summarise the detailed findings against follow up actions and recommendations and present alongside our annual report.</p> <p>There are no specific areas of concern that we wish to draw out at the present time.</p>
	TOTAL	32	38	
B Department Level				
B.1	<p>Programme Management Ongoing support to consider programme management and key ways of working on major programmes across the council, to be agreed during the plan year.</p> <p>Key projects include:</p> <ul style="list-style-type: none"> • Graven Hill • Bicester Town Centre Redevelopment • Build Programme 	12	12	<p>See A.2 above.</p> <p>We will review programme management arrangements around the change in your financial management system.</p>
B.2	<p>Risk Management / Governance Review the adequacy of risk management arrangements within the Council and we will provide you with a view on your Joint Risk Management arrangements.</p>	5	5	<p>We have started work on this review week commencing 2 March.</p> <p>We have a follow up risk in week commencing 23 March to accommodate officer availability and commitments that arose during the original planned week.</p>
B.3	IT	6	6	See A.2 above.
B.4	<p>Housing – Planning Applications Review the processes you have put in place to manage the changes and alter your systems to process applications effectively.</p>	6	6	<p>This has been replaced by a joint review with South Northamptonshire of the joint procurement arrangements following request of management given the year end pressures and lack of resources in planning and agreed with the Head of Finance and Procurement.</p> <p>We have also utilised the days within VE.2 to support our procurement review given the specialist resource input.</p> <p>This review is scheduled to start in the week commencing 23 March.</p>

B.7	<p>Service Redesign – VfM assessments</p> <p>To review current service plans and operational design and arrangements to benchmark performance on selected service.</p> <ul style="list-style-type: none"> • Strategic Planning and the Economy • Regeneration and Housing • Environmental Services 	6	0	<p>Used for specific follow up review for all 13/14 completed reviews as annual report prior recommendations update.</p> <p>See above.</p>
B.8	<p>Finance Year End Support</p> <p>To support you at year end. This support will include a critical review of your draft accounts, accountancy support and attendance at your close down group.</p>	4	4	No change.
	<p>Graven Hill: Phase 2 Business Case Review</p>	0	7	<p>Governance review completed on the business case prepared for Graven Hill development options.</p> <p>Final Report Issued.</p> <p>There were no matters that we wanted to draw out over the Councils' controls and approach to its business case over the proposed Graven Hill development.</p>
	TOTAL	39	40	
VE	Value Enhancement			
VE.1	<p>Joint Working and Transformation Programme</p> <p>Review of the governance and business cases for efficiencies and savings for three way working.</p> <ul style="list-style-type: none"> • Future Service delivery and Governance Concept • Governance Models • New Ways of Working 	15	15	<p>No change.</p> <p>We have discussed with the Transformation Group Lead and identified specific themes and areas for review or input and advice over.</p> <p>We have agreed the scope of the review to be completed and we have started work on this review on 5 March.</p> <p>We will consider the following main areas</p> <ul style="list-style-type: none"> • Current arrangements of joint working: Legal and ICT; • Future governance structures and ways of working; • Risk management arrangements in relation to joint working; and • Compliance with Transformation Funding received as required.

VE.2	<p>Service Redesign – Income Optimisation / Commercialisation</p> <p>To review current service plans and operational redesign and arrangements to maximise efficiencies and potential income streams and to consider the commercialisation of revenue schemes.</p> <p>Covering key areas including:</p> <ul style="list-style-type: none"> • Contract assurance; and • Fees and Charges. <p>On selected service from:</p> <ul style="list-style-type: none"> • Strategic Planning and the Economy; • Regeneration and Housing; and • Environmental Services. 	5	5	These days have been utilised to support the review of the procurement functions and additional specialist resource for this review.
	TOTAL	20	20	
PM	Project Management			
PM1	Project management	25	25	No change.
PM 2	Contingency	7	0	Used for Graven Hill Business Case as reported earlier in this update report.
	TOTAL	32	25	
	UPDATED PLANNED DAYS	123	123	

Appendix 1 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be downloaded in full at www.psrc.pwc.com

As previously reported to the committee in our update reports

The Public Matters – Autumn 2014

As we head towards the general election in May 2015, debate is heating up on the key issues for 2015 and beyond. But all too often the public's told what it should think, not asked.

Over five years, PwC has worked with BritainThinks to bring the public's views to the fore. Through our Citizens' Juries, we've assembled people from across the country to consider questions of national importance. And most recently, PwC and BritainThinks held Citizens' Juries at the Labour, Conservative and Liberal Democrat Party Conferences.

The Public Matters is a special edition of our bi-annual Whitehall Matters newsletter reporting on the findings of our party conference season citizens' juries.

This issue includes articles on what we found. We share the public's perspectives on reforming public services and dealing with the deficit, lifting living standards and delivering good growth and good jobs. We also explore the role of deliberative research in policy making, more widely.

Decentralisation Decade report: a plan for economic prosperity, public service transformation and democratic renewal

Decentralisation is firmly in the sights of politicians nationally and locally, but is the tide in favour of decentralisation strong enough to make change substantial and irreversible?

IPPR's report 'The Decentralisation Decade', which we have supported, sets out the prospects and priorities for decentralisation in England over the next 10 years.

Decentralisation Decade sets out five broad principles for decentralisation in England:

- **Decentralisation must be for a broad and clear purpose.** Decentralisation is not an end in itself, but a means to achieve improved outcomes in terms of good growth and public services.
- **Decentralisation must be joined-up.** A coherent and co-ordinated approach is needed across different departments, at different spatial scales and between a wide range of public, private and voluntary actors and enthusiastic citizens too.
- **Decentralisation needs to be asymmetrical.** A multi-speed approach to decentralisation is the way ahead, driven by those areas with the appetite to take on additional powers and responsibilities. Meanwhile government at the centre needs to do more to enable ground-up localisation: the focus should be on enabling a more organic approach to collaboration at local and, where appropriate, regional levels.
- **Decentralisation needs time.** A decade of decentralisation is needed to make the adaptations necessary, develop local capacity and embed a culture of decentralisation.
- **Decentralisation needs cross-party support.** To make a genuine shift in power from the central to the local level requires engagement from across the political spectrum, with national and local governments work in unison rather than in conflict over the long term.

Who's accountable now? The public's view on decentralisation

Decentralisation is firmly in the sights of politicians nationally and locally in the UK, but is it really possible for government to 'let go' in such a centralised political culture?

As part of our work with IPPR on the ‘Decentralisation Decade’ we have refreshed our 2009 research exploring who the public hold accountable for public services and for the economy.

Our new research reinforces our 2009 findings: if real powers are transferred to highly accountable bodies then public perceptions of responsibility will change. The public tends to have a relatively good awareness of whether particular bodies have the powers to act in a particular area. But real accountability depends on fully aligning decision-making, budgets and delivery when decentralising.

Key implications

There are three important implications for those seeking to decentralise:

- Politicians need to hold their nerve: for at least a period of time ‘the centre’ will still be blamed for failures, either being seen as responsible for the act of devolution or because the public didn't notice or understand that devolution has occurred.
- The public usually needs time to get used to understanding who is responsible for exercising newly decentralised powers. As such, a route map to decentralisation spanning years, not months, is needed to rise to the challenge of letting go of power in our centralised political culture.
- Decentralisation needs to be a two-way process between central government and local bodies: in particular, local government needs to be focussed when negotiating for additional powers and ensure it has the capacity to make best use of them, as shown in the City Deals process.
- If perceptions of accountability are to shift, communications and engagement are essential. Building the case for change and engaging the public in the debate on accountability is, therefore, an essential step if we are to deliver a Decentralisation Decade.

Additional publications

We would also recommend revisiting the following publications as still relevant to the current climate within local government and public sector finances.

Productivity in the public sector - what makes a good job?

This new Talking Points publication from PwC and Demos explores what can be done to lift productivity and how the public sector can play its part.

The UK as a whole has a productivity problem. Its workers produce less per hour than their counterparts in France, Germany and the US, with the gap widening since the onset of the financial crisis. The question of how to improve productivity is where debates on growth, living standards and deficit reduction come together. And the public sector has a key role to play in finding the answer.

By creating the right environment for business through their policies, government at all levels can help places build on their strengths and attract the talent and investment that companies need to succeed. And the public sector - as a huge employer - has the potential to make a unique impact to this issue.

In this Talking Points publication from PwC and Demos, we examine the issue of low productivity and the challenges ahead for the public sector, consider the role of the workforce as a partner in solving these dilemmas and draw together discussions over a series of three roundtables on ‘good jobs’, to present some potential responses including:

- Job design for high productivity working
- Learning and development for an adaptable public sector workforce
- Pay and rewards and their links to productivity

Redefining local government

Prolonged austerity is driving an important shift in local government. The early years of austerity have been characterised by authorities taking action to reduce costs through a range of traditional ‘supply side’ cost reduction measures. However, given that austere public finances will last well into the next parliament, local government needs to raise its sights and shift beyond traditional cost reduction approaches.

Many authorities are already reaching a tipping point where it is no longer possible to undertake the same activities as before. Local authorities now have to fundamentally redefine their role and purpose. Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes.

This new landscape will require fundamentally different organisational cultures and behaviours to make it successful, along with an intense focus on digital innovation and intelligent and insightful data collection and management.

This will be a complex journey. In our latest Talking Points we set out the six steps that will help to create the right foundations to deliver more effectively against this agenda.

Opening out? New approaches to service delivery

The new world of Open Public Services presents valuable opportunities for improvement and innovation, replacing 'top down monopolies' with diverse and dynamic markets of suppliers, competing to deliver the most effective and cost-efficient public services. But for this model to work, multiple barriers must be overcome, requiring more effective collaboration and procurement.

We explore how to address these obstacles in this Pressure Points publication, including innovative models of partnership between the private and not-for-profit sector in order to build the capacity and capability of new, and existing, providers.

The key risk here is that government assumes too much of the market too soon. Politicians and policy makers need to hold their nerve and commissioners should engage the market in the right way, so that new and more diverse public service providers can succeed.

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Internal Audit Risk Assessment and Plan 2015/16

DRAFT

**Cherwell District
Council**

March 2015

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Distribution List

Joint Management Team

Members of the Accounts, Audit and Risk Committee

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with Cherwell District Council.

1. Introduction and approach

Introduction

This document sets out the initial risk assessment and our internal audit plan for Cherwell District Council for 2015/16. We will take a final plan to the June committee following the finalisation of our 2014/15 plan reviews and further planning meetings with key management team members.

Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by Cherwell District Council's organisational objectives and priorities, and the risks that may prevent Cherwell District Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

Step 1
Understand corporate objectives and risks

- Obtain information and utilise sector knowledge to identify corporate level objectives and risks.

Step 2
Define the audit universe

- Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.

Step 3
Assess the inherent risk

- Assess the inherent risk of each auditable unit based on impact and likelihood criteria.

Step 4
Assess the strength of the control environment

- Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.

Step 5
Calculate the audit requirement rating

- Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.

Step 6
Determine the audit plan

- Determine the timing and scope of audit work based on the organisation's risk appetite.

Step 7
Other considerations

- Consider additional audit requirements to those identified from the risk assessment process.

Basis of our plan

In order to carry out the level of work that our risk assessment indicates is appropriate, we estimate that the resource requirement for Cherwell District Council's internal audit service is 123 days and £47,355. Based on our risk assessment, this is the level of resource that we believe would be necessary to evaluate the effectiveness of risk management, control and governance processes. The level of agreed resources for the internal audit service for Cherwell District Council is 123 days and £47,355, and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Accounts, Audit and Risk Committee recognises this limitation.

Basis of our annual internal audit conclusion

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion*.

Other sources of assurance

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

Some of the other sources of assurance for Cherwell District Council are as follows:

- external inspections;
- external audit work; and
- ISO accreditations.

We do not intend to place reliance upon these other sources of assurance.

Key contacts

<i>Name, Job Title</i>	<i>Name, Job Title</i>	<i>Name, Job Title</i>
Sue Smith, Chief Executive	Ian Davies, Director of Community and Environment	Calvin Bell, Director of Development
Karen Curtin, Director of Bicester	Martin Henry, Director of Resources (S151 Officer)	Paul Sutton, Head of Finance and Procurement
Jo Pitman, Head of Transformation		

2. Audit universe, corporate objectives and risks

Audit universe

We have identified the auditable units within the Council based on your structure and meetings with officers and members. Any processes running across a number of different elements in the Council and which can be audited once have been separately identified under cross-cutting reviews in the audit universe.

Corporate objectives and risks

Corporate level objectives and risks have been determined by Cherwell District Council. These are recorded in the table below and have been considered when preparing the internal audit plan.

We have also reviewed your corporate risks register and linked all high risks scoring net in excess of 10 points to our audit plan as follows:

Objective	Risk(s) to achievement of objective	Cross reference to Internal Audit Plan (see Section 4)
A District of opportunity	S14: CDC Local Plan: Failure to ensure sound local plan and priorities linked to objectives.	B1, B4 and B5 VE1 and VE2
A Cleaner, Greener District	S15: CDC Local Plan, County SHMA: Risk of additional housing requirements from Oxford C1 – Business Continuity: Plans not in place to deliver in event of incident: reputational and service failure	B1, B4 and B5 VE1 and VE2
A Safe, Healthy and Thriving District	C7 – Joint Working: Reputational damage, service and financial performance decline.	B1, B4 and B5 VE1 and VE2
An accessible, Value for Money Council	C9 – Equalities: Failure to comply with legislation, reputational damage and legal risk. C10 – Health and Safety: Failure to comply with legislation, reputational damage and legal risk. C12 – CDC Planning (Major Applications): failure to meet panning inspectorate threshold and subject to special measures P5 – Oxfordshire LEP and P8 – South Midlands LEP: Partnership doesn't work and fails to add value and align with objectives.	A.1 to A.3 All Cross Cutting Sections B1, B2, B5 and B6 VE1 and VE2

3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Corporate objectives and risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating
A	Corporate / Cross Cutting Reviews				
A.1	General Ledger **	An accessible Value for Money Council	6	4	4
A.2	Debtors **		5	4	4
A.3	Creditors **		5	4	4
A.4	Payroll		6	5	4
A.6	Collection Fund		6	4	4
A.7	Cashiers		4	3	3
A.9	Housing Benefits		6	4	4
A.13	Risk Management **		5	3	4
A.14	Information Technology **		6	4	4
B	Department				
B.3	Finance and Procurement **	An accessible, value for money Council	5	3	4
B.2	Environmental Services	A cleaner, greener District	5	3	4
B.4	Law and Governance	A safe, healthy and thriving district.	4	3	3
B.6	Strategic Planning and the Economy	A cleaner, greener District A District of opportunity	5	3	4
B.7	Regeneration and Housing	A safe, healthy and thriving district; and A District of opportunity.	5	3	4
B.10	Programme Management **	An accessible, value for money Council	6	3	5

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out our internal audit work planned for 1 April 2015 to 31 March 2016, together with indicative start dates for each audit.

See appendix 1 for the areas where we can add the most value and innovative ways of working over the annual plan year

Ref	Auditable Unit Points of Focus	Q1	Q2	Q3	Q4	Comments
A	Corporate systems / Cross Cutting Reviews					
A.1	Finance Systems To cover the following on risk basis <ul style="list-style-type: none"> • General Ledger • Payroll • Collection Fund (Council Tax and NNDR) • Housing Benefits • Debtors • Creditors • Cashiers 			✓		We will direct our data team specialists to deliver more effective and efficient outputs and assurance over your key financial cycles. Appendix A
B	Department					
B.1	Programme Management Ongoing support to consider programme management and key ways of working on major programmes across the council, to be agreed during the plan year. Key projects include: <ul style="list-style-type: none"> • Graven Hill • Bicester Town Centre Redevelopment • Build Programme 	✓	✓	✓	✓	We will direct our project and commercial assurance specialists to your key areas of risk for major projects and third party relationships. Appendix A
B.2	Risk Management/Governance Review the adequacy of risk management arrangements within the Council and we will provide you with a view on your Joint Risk Management arrangements.				✓	
B.3	IT General Controls Review controls around key controls on selected systems System Reviews We can help support or review around key system changes from a variety of aspects including: system configuration, application and database controls and reporting configurations.	✓		✓		We will direct our data team specialists to deliver more effective and efficient outputs over your IT and data environments Appendix A

	Cyber Security We view cyber security through a series of interconnected lenses. This rounded approach is designed to provide you with confidence: in your people, technology and connections, how you manage risk, set priorities and respond to an incident or during a crisis. Our approach typically begins with an assessment of your current capability and a recommendation of areas for improvement.					
B.5	Service Redesign / Compliance Reviews To review current service plans and operational design and arrangements to benchmark performance on selected service. <ul style="list-style-type: none"> • Planning and the Economy • Regeneration and Housing • Environmental Services 		✓		✓	We undertake review(s) within council services / departments dependent on our annual risk assessment. We will review compliance over planning applications which had been deferred from the 2014/15 plan agreed with management.
B.6	Finance Year End Support To support you at year end. This support will include a critical review of your draft accounts, accountancy support and attendance at your close down group.					This is directed by areas of support required for your annual statement of accounts.
VE	Value Enhancement					
VE.1	Joint Working and Transformation Programme Review of the governance and business cases for efficiencies and savings for three way working. <ul style="list-style-type: none"> • Governance Models • New Ways of Working 		✓		✓	We will utilise where appropriate our data and project specialists to align to your key risks and gaps in assurance through ongoing dialogue with management.
PM	Project management					
PM.1	Project management	✓	✓	✓	✓	
PM.2	Contingency					We aim to have an element of contingency in each plan to respond to any emerging risks in each plan year.
	Total Cost		£47,355			

In addition to these services, we will provide a range of benefits to the Council at no additional cost which include:

- Regular technical updates and alerts from PwC Assurance on topics including accounting changes and new legislation;
- Circulation of recent publications by PwC and PwC's Public Sector Research Institute plus ad hoc reports;
- Provision of thought leadership pieces;
- Ad hoc briefings for the Audit Committee (e.g. risk management and local government finance); and
- An invitation for the Chair of Audit Committee and officers to attend our local training days

Key performance indicators

Appendix 3 sets out the proposed Key Performance Indicators for internal audit. Performance against these indicators will be reported annually to the Accounts, Audit and Risk Committee.

Appendix 1: Innovation

Examples of innovation for the 2015/16 annual plan years

1. Use of data specialists and data analytics

We will work with management to explore more efficient techniques to validate and assure your key financial systems and transactions. We can provide greater population coverage (rather than sample assurance) depending on how your systems and transactions are set up and recorded.

We can use our data team to respond to some of the key data challenges you face especially key where the council is going through change and transformation programmes. Key challenges where we can provide support and input are:

Data governance and quality

- How are you managing and controlling your data as a core asset?
- Who is currently in control of your data assets and processes – is it really the right approach in the current economic climate?

Giving you clear advice and assurance on how to manage your data through:

- Data governance, controls and reporting best practice
- Data quality assessments and data profiling
- Process improvement
- Process and controls review and design
- Data strategy reviews or creation
- Independent, client-side technical assurance

Data analysis and reporting

- Are your decisions based on the right inputs and interpretations – what happens if they aren't?
- Can you improve what your organisation does without having a clear understanding of how your organisation works – everything relies on data

Providing accurate and clear insight with timely analysis and robust interpretation through:

- Expert data analysis and interpretation
- Financial and non-financial audits
- Computer Assisted Auditing Techniques (CAATs)
- Controls reviews and process re-performance
- Journal testing and reporting

Data migration and transformation

- How do you deliver new capabilities with minimal disruption and cost
- Data is on many projects' 'critical paths' – Can you afford to get it wrong or be the cause of delays?
- Ensuring data migrations focus on business needs, not just technical delivery

Managing/reviewing migration projects to focus on business and project needs through:

- Design, execution and review of migration strategies and plans
- Practical business focused advice
- Client-side data migration management

Data collection and reporting

- Being able to collect, share and report on data quickly and securely is becoming increasingly important as organisations need accurate and cost effective data collection solutions

Reducing the data collection and hosting burden across your enterprise through:

- Creation, hosting and delivery of collaborative web tools and applications
- 'Management Information' report development
- Automation of complex, data collection and data management processes
- Creation, hosting and delivery of collaborative portals and data hubs

Data security and effective handling

- *Do you really understand where your data is and who has access to it - can you afford to lose your client's data, your own intellectual property or other privileged information?*

Making your data asset work for you securely through:

- *Information management assurance to help you make the 'right' decisions based on the 'right' data*
- *Information assurance and security advice*
- *Data loss prevention techniques reviews*
- *Post-event management and remediation*
- *Legal and compliance advice*

2. Increased use of project and contract management specialists

Given the continued focus on efficiency savings and councils looking at new and innovative ways of working we can further align our internal audit specialists to focus on the areas of your most significant risk, projects and contract management.

Projects Assurance

On average a quarter of all major change programmes fail completely while around three quarters under deliver. We provide insightful, independent and informed advice to a broad spectrum of clients in order to reduce the risk of project failure and increase business value. We provide quality assurance through the entire life cycle of change, from project identification through to and final delivery. We have experience across a broad range of projects and sectors, including capital intensive construction, business change and IT as well as access to the firm's global network of specialists.

We can help clients achieve the right outcomes from their projects and change programmes by;

- Reviewing projects along their life-cycle to identify risks and make recommendations on how to address them
- Reviewing project portfolios to help prioritise projects based on strategic objectives and delivery capabilities.
- Ensuring projects support the business strategy. We helped a UK construction company define its IT strategy and identify and deliver the IT change roadmap
- Reviewing whether the business case will deliver the desired results. We helped a telecoms company review the costs and projected benefits of its finance consolidation programme resulting in a re-focusing on the core objectives
- Helping you get the most from your third parties. We helped a global financial services company take significant costs out of its outsourced contract to deliver a portfolio of IT projects
- Assessing the project management process. We helped a financial services company determine where it stood in a project management maturity model and what its priorities and next steps should be.

Contracts / Commercial assurance

The scope and complexity of third party relationships have continued to increase as companies outsource, build capital projects, enter into joint ventures and invest abroad. However, the approach to contracting remains the same as it was many decades ago. Reliance on a legal contract is insufficient when value is lost, risk is increased and service is compromised through poor relationships, contracts and management.

Complex strategic relationship management requires a holistic approach, integrating compliance and risk and performance management into the contract tendering and drafting process, as well as embedding the right behaviours and controls, so that the risk is mitigated and the contract delivers. As we have seen time and time again, poor third party relationships and contract management can result in very material losses and a loss of reputation. Conversely those who manage their third party relationships well can find they can build real value and competitive advantage.

We help clients set up, improve and exit from their complex third party relationships, as well as ensure they are compliant. Our engagements show that there are significant financial and operational benefits from a structured approach to managing their most critical third party relationships.

We provide expertise, have developed tools and diagnostics and can source and configure technology to help organisations transform their approach to manage their major third parties with sustainable bottom line results.

Appendix 2: Detailed methodology and risk assessment criteria

Methodology

Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a number senior management and non-executive members.

Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for South Northamptonshire Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 - Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 - Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 - Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 - Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.

5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Key performance indicators

Key performance indicators

To ensure your internal audit service is accountable to the Audit Committee and management, we have proposed the following key performance indicators.

<i>KPI</i>	<i>Target</i>	<i>Comments</i>
Infrastructure		
Audits budgeted v actual	+/- 10 plan days with management agreement	We expect to deliver the annual plan with tolerance of 10 days with agreement of management
Planning		
% of audits with Terms of Reference	100%	
Fieldwork		
Average of cost of an audit	NA	We will provide the audit service for £47,355 fee but without being tied to fixed daily rates. Additional work and fees will be agreed separately as required.
Reporting		
Draft reports issues promptly	Within 3 weeks of completion of the audit site work.	
Attendance at Audit Committee	100%	
Relationships		
Overall client satisfaction score	8/10	



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Cherwell District Council

Accounts, Audit and Risk Committee

26 March 2015

Closedown Update 2014-15

Report of the Head of Finance and Procurement

This report is public

Purpose of report

To inform members of the progress under which the Council prepares its annual Statement of Accounts together with the summary timetable for production.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended:

- 1.1 To approve the closedown timetable summary as set out in Appendix 1.
- 1.2 To approve the response to external audit's request for management assurances from Those Charged With Governance in Appendix 2.

2.0 Introduction

This report is to inform members of the process and the progress for the 2014-15 Statement of Accounts.

3.0 Report Details

- 3.1 Work has already begun on preparing for the 2014-15 closing of accounts. The process is being led by the Corporate Accountant. The detailed closedown timetable has been prepared for all staff involved in the closedown process and a summary of the key dates is shown in Appendix 1.
- 3.2 Closedown workshops will be held on 11 March 2015 and budget holders will receive guidance on what is required from their services. Closedown News will be circulated fortnightly and this will provide an update on the preparation of the financial statements.
- 3.3 During the period the finance team will liaise with the external auditor, Ernst & Young and have regular closedown meetings with the Head of Finance and Procurement to monitor progress.

- 3.4 The finance team will produce a first draft of the statements by 20 May 2015. This allows a period of four weeks for critical review and updating.
- 3.5 Members of the Audit Committee meet informally on 24 June to review the draft statement immediately prior to the formal committee meeting.
- 3.6 Auditing standards require external audit to formally update their understanding of the Council's management processes and arrangements each year. They do this by asking the Audit Committee (as Those Charged with Governance) a series of questions surrounding the Council's management arrangements.
- 3.7 The response to these questions is contained in Appendix 2. This has been reviewed by the Head of Internal Audit, the Monitoring Officer and the Head of Finance and Procurement.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Audit Committee is recommended to note the progress in preparation of the Accounts for 2014-15 and to approve the response to external audit on the Council's management arrangements.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request that Officers provide additional information on the accounting policies. This had been rejected because the policies have been drafted based on current accounting guidance.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from this report. However, failure to produce draft accounts in accordance with the timetable may result in additional external audit fees.

Comments checked by: Denise Taylor, Corporate Accountant
01295 221982 denise.taylor@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 Failure to produce accounts under compliant accounting policies will result in the 2014-15 Annual Statement of Accounts not being approved by the external auditor.

Comments checked by: Kevin Lane, Head of Law & Governance 0300 0030107
Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 Failure to produce accounts in accordance with the timetable may result in the 2014-15 Annual Statement of Accounts not being compliant for external audit review.

Comments checked by: Denise Taylor, Corporate Accountant
01295 221982 denise.taylor@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

n/a

Links to Corporate Plan and Policy Framework

n/a

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	2014-15 Closedown Timetable Summary
Appendix 2	Those Charged With Governance's response to external audit's request for management assurances
Background papers	
None	
Report Author	Paul Sutton, Head of Finance & Procurement
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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2014-15 YEAR-END SUMMARY TIMETABLE

Activity	Responsible Officer	2014-15 Deadline
Training CDC	Denise Taylor, Leanne Lock, Brian Wallace	10:30am Wed 11 Mar
Creditors deadline for receiving invoices in Finance	All Services	12pm Tues 24 Mar
Creditors deadline for authorising invoices for payment in 2014-15 on Agresso	All Agresso Authorisers	4pm Wed 25 Mar
Deadline for raising Debtor invoices in Agresso	All Services	4pm Wed 25 Mar
Agresso closed to all Services	All Services	5pm wed 25 Mar
Creditors Final cheque and BACS payments run	Ruth Hopkins	Fri 27 Mar
Debtors final run	Sue Brennan	Fri 27 Mar
Accounting period 12 closed on Agresso	Sarah Robinson	5pm Tues 31 Mar
Fixed Asset Valuations & Impairments completed and sent to Finance	John Slack	Tues 31 Mar
Purchase Orders for goods not received by 31st March to be rolled forward into the next financial year. Where the goods/services have been received and we do not have an invoice, a Goods Received Note needs to be produced on Agresso (by 4pm Wed 25 March) and an accrual will be automatically raised.	All Services	Tues 31 Mar
Petty Cash / Imprest accounts balanced and certificates returned to Finance	All Services	Tues 31 Mar
Inventory Certificates returned to Finance	All Services	Tues 31 Mar
Deadline for submission of Accruals forms to Finance	All Services	5pm Wed 8 Apr
Final deadline for receipt of Internal Invoices	All Services	5pm Wed 8 Apr
Deadline for all accruals to be processed	Sarah Robinson	Fri 10 Apr
All Capital projects finalised		Fri 10 Apr
Fixed Assets & Impairment to be completed by Finance	Chris Ayriss	Thurs 16 Apr
Period 13 Draft Budget Monitoring reports produced	Service Accountants	Fri 17 Apr
Period 13 Budget Monitoring Reports for final sign-off (issued 30/4/15)	Service Accountants	Wed 6 May
Period 13 revenue accounts closed	Sarah Robinson	Wed 6 May
Revenue/Capital Outturn to JMT	Paul Sutton	Fri 8 May
All Balance Sheet accounts closed and reconciled	All Finance	Wed 13 May
"Draft" Statement of Accounts CDC		Wed 20 May
Informal review of Statement of Accounts at AARC CDC		Wed 24 June
Sign "subject to audit" Statement of Accounts at AARC CDC		Wed 24 June
Revenue/Capital Out-turn forms completed and returned to CLG		Fri 10 July
Whole of Government Accounts forms completed and returned to CLG		Fri 31 July
Accounts on deposit advertised		July (TBC)
Audit of the Statement of Accounts 2014-15		July (TBC)
Public Inspection		Aug (TBC)
Sign-off final audited Statement of Accounts at AARC CDC		Wed 23 Sept

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Finance & Procurement

Paul Sutton – Head of Finance & Procurement



DISTRICT COUNCIL
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Please ask for: Paul Sutton

Direct Dial: 03000 030 0106

Email: Paul.Sutton@cherwellandsouthnorthants.gov.uk

Our Ref: DT/PS

Dear Mark

Understanding how the Accounts, Audit and Risk Committee gains assurance from management

I refer to your letter of 13 February 2015. I have set down below the arrangements that those charged with governance (the Accounts, Audit & Risk Committee) have in place to gain assurance from management. This letter provides responses to the questions in your letter and details the arrangements in place at the Council. Please find my response below, with your questions in italics

1) How the Accounts Audit and Risk Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

The committee receives regular reports on fraud at their meetings but also relies on the Head of Finance and Procurement, Internal Audit and, to a lesser extent External Audit, to report to them or to me as committee chairman if fraudulent activity that has been uncovered. I am confident that all known instances of fraud have been properly reported to me or the committee. I am also confident that if there was an awareness of a fraud, at senior management level, that would potentially materially misstate the accounts I would be informed immediately. No such incidents have taken place in 2014/15 and therefore based on the information I am aware of at the moment I am assured that the accounts are not materially misstated as a result of fraudulent activity.

- **identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**

The committee receives regular reports and updates on risk management, anti-fraud, corruption and bribery and whistle blowing. All of these items are standard items on the agenda and are covered at each meeting by the Head of Finance and Procurement. I also outline the arrangements in place;

(a) Management Arrangements

- The financial statements are prepared in line with the Statement of Recommended Practice and are subject to an internal quality assurance arrangements and an assurance framework of S151 assurances that review areas of highest risk. The accounts are subject to a series of analytical reviews that would identify major movements between years and seek explanations that would assess the likelihood for material misstatement.
- A risk assessment relating to the preparation of the accounts is undertaken each year by the Head of Finance and Procurement and issues raised by Internal or External audit are given particular attention.
- The Council's finance function includes a service accountancy team who directly support and advise all the Council directorates. Through monthly support, challenge and review of the financial spend as part of budget monitoring, any material misstatement against budget or spend should be picked up.
- The officers who prepare the statements are experienced accountants who undertake CPD activities. Their work is segregated where feasible and they work to local and professional codes of conduct.
- Fundamental audits are conducted annually and reported to the Accounts, Audit & Risk Committee on the main accounting system by our Internal Auditors PWC.

(b) Accounts, Audit & Risk Committee

- The Committee considers the internal control arrangements exercised by the Council as part of the Annual Governance Statement along with the S151 Officer's report on the accounts including the S151 Officer's arrangements for production of the accounts.
- In receiving the annual accounts from the S151 Officer, the Committee will enquire of him and the Head of Finance and Procurement any further action taken to minimise the risk of misstatement due to fraud.
- The committee has regular updates and presentations on Fraud. These presentations highlight the areas that this committee should focus on

when reviewing financial statements in order to seek assurances from officers that the accounts are not subject to any risk.

- The Accounts, Audit & Risk Committee consider all internal audit reports including those on fundamental systems and are able to take into account the likelihood of fraud being detected.
- The Annual Governance Statement, the reports from the Head of Internal Audit on internal control and S151 Officer on the adequacy and effectiveness of internal audit are further bases for coming to a judgement on the risk of misstatement. However, nothing has come to the attention of the Accounts, Audit & Risk Committee which would cause the Committee to consider there is a risk that the financial statements for 2014/15 could be misstated as a result of fraud.
- All members (including the Accounts, Audit & Risk Committee) are aware of the in year budget reporting and monitoring arrangements to Executive and Scrutiny. All budgets are assigned to a named individual.
- The Accounts, Audit & Risk Committee note the inclusion within the constitution of contract and financial procedure rules and application of external codes such as CIPFA's Treasury Management Code of Practice, which has been fundamentally updated and reviewed regularly during the course of 2014/15.
- The Accounts, Audit & Risk Committee is regularly advised on the progress with investigations and where relevant will question whether the nature of the allegations under investigation and any findings could impact on the accuracy of the financial statements.
- The Internal Audit Report of the Chief Internal Auditor and the Annual Governance Statement reported to this committee highlight areas where the Council should seek improved control effectiveness.

On occasions when there is something to report outside of the normal committee framework the Head of Finance and Procurement will contact me to brief me on the issue and discuss. The Internal Audit manager and External Audit manager, as well as all officers have the right to raise, directly, any issues with me they feel I need to be aware of.

- **communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Council's code of conduct);**

The Monitoring Officer and the Standards Committee are responsible for the Council's ethical governance arrangements. The Monitoring Officer is proactive in raising awareness of the ethical agenda with employees and members. Compliance with ethical standards is monitored by the Standards Committee.

Employees and Committee members are aware that identifying and responding to fraud should be done through the responsible financial officer. This is reinforced by

the regular update on anti-fraud and corruption issues, risk management and whistle blowing updates. The Anti-Fraud, Corruption and Bribery Policy, the Money Laundering Policy and the Whistle Blowing Policy have been updated to take account of the joint working arrangements and these policies are available to view on the Councils intranet sites.

The Council are members of the National Anti-Fraud Network and the Investigations team receives National Fraud Alerts, which are cascaded to the Council and specific areas at risk of fraud. Finance is an area regularly monitored.

- **encouraging employees to report their concerns about fraud**

Employees are aware that identifying and responding to fraud should be done through the responsible financial officer. Briefing messages are sent to staff on issues when it is felt appropriate to do so.

- **communicating to you the processes for identifying and responding to fraud or error.**

The Accounts, Audit & Risk Committee receive written and verbal reports from the S151 Officer, Head of Finance and Procurement and Chief Internal Auditor.

The Chief Internal Auditor produces an annual report which includes his opinion on the adequacy and effectiveness of the Council's system of internal control. This report highlights anything that constitutes a significant control weakness during the year under review. The Annual Internal audit report for 2014/15 will be presented to the Accounts, Audit & Risk Committee in June 2015.

Their work has identified mostly low and medium rated risks on business critical systems. The Accounts, Audit and Risk Committee monitors the action plans associated with all risks identified.

2) How does the Accounts, Audit and Risk Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

(a) Management Processes

- Submission to the Accounts, Audit & Risk Committee of regular updates on fraud activity and initiatives to deter and detect fraud such as the whistle blowing policy.
- The Chief Internal Auditor undertakes an annual risk assessment exercise in formulating the Internal Audit Plan. This plan is then submitted to the Accounts, Audit and Risk Committee for approval. For the current year 2014/15, the audit plan was approved by the Committee in March 14. Within the Internal Audit plan for 2014/15 there was a review of anti-fraud and corruption arrangements within the Council and the review of risk management arrangements included a

fraud risk assessment. Committee is aware of the allocation of time in the annual audit plan for counter fraud activity.

- The activity of the Council's Corporate Fraud Investigation team is also included in the Chief Internal Auditors' progress reports to the Accounts, Audit and Risk Committee.
- Reporting of National Fraud Initiative outcomes.

(b) The Accounts, Audit & Risk Committee

- The Accounts, Audit & Risk Committee has access to all internal audit reports and within these reports any possible fraudulent activity identified through the audit work would be recorded. In addition, the Chief Internal Auditor would report any fraudulent, or potentially fraudulent, activity to the Committee in his regular progress reports.
- The Chief Internal Auditor, and where appropriate the Monitoring Officer and S151 Officer, are required to advise about each case of alleged fraud. The committee receives regular update reports and communication regarding fraud and if required these would be detailed in the annual governance statement and the committee annual report.

3) Are the Committee aware of any: breaches of, or deficiencies in, internal control; and actual, suspected or alleged frauds during 2014/15?

I, on behalf of the Committee, have no knowledge of any actual or suspected alleged frauds that could have a significant impact on the Council's 2014/15 financial statements. I am confident that if any such instances were discovered, suspected or alleged they would be brought to my attention by the Head of Finance and Procurement or his deputy.

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

I am not aware of any organisational or management pressure placed on staff to meet financial or organisational targets.

5) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2014/15?

The authority has a statutory S151 officer (Director of Resources) and monitoring officer (the Head of Law and Governance) who are responsible for ensuring, as far as possible, that all relevant laws and regulations have been complied with.

The Monitoring Officer and S151 Officer, via membership of the Joint Management Team and through the established process for reporting to members under the executive arrangements, will advise on and identify areas of concern and risk of non-compliance. Arrangements are established under the Constitution (e.g. contract

procedure rules) to ensure that appropriate consideration is given to (and advice taken on) the application of the legal and regulatory framework.

The constitution provides further safeguards as do the management assurance statements that are provide by all senior managers and the annual governance statement.

I am pleased to state that there has been none to date. Should there be any I would expect they would be referred to my committee for consideration.

6) Is the Accounts, Audit and Risk Committee aware of any actual or potential litigation or claims that would affect the financial statements?

As at 18th March 2015 we are aware of the following potential claim around Property Searches. A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data since 2005. Four potential claims have not yet commenced as a Court claim but are subject to “standstill agreements” to enable future claims to be pursued despite the expiry of the statutory period of limitation. A significant claim, known as the APPS claim, has been brought against most Councils in the country including CDC. It is anticipated that settlement negotiations, which are being conducted by external legal advisers on behalf of the Councils affected, will conclude shortly. The external advisers are also lobbying central government to seek reimbursement of at least some of the damages that may be paid via New Burdens grant.

The committee will continue to receive an update on these issues and consideration if we need to make formal representation in our financial statements. Officers will be in a position to provide you with any additional information you may need.

7) How does the Accounts, Audit and Risk Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

We have considered the going concern assumption and have not identified any events which may impact on the authority’s ability to continue as a going concern. The Council has adequate general fund reserves and continually reviews its risk register and mitigations.

As Chairman of the Accounts, Audit & Risk Committee, I have signed this letter on behalf of the committee. The content of this letter will also be discussed at the Accounts, Audit & Risk Committee on 25th March 2015.

Yours sincerely

Councillor Mike Kerford-Byrnes
Chairman of the Accounts, Audit & Risk Committee

Cherwell District Council

Accounts, Audit and Risk Committee

25 March 2015

Third Quarter Risk Review

Report of Head of Transformation and Acting Corporate Performance Manager

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2014/15 and highlight any emerging issues for consideration.

1.0 Recommendations

The meeting is recommended:

- 1.1 To review the second quarter Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration.

2.0 Introduction

- 2.1 The Council sets out its approach to managing risk in its Risk and Opportunities Management Strategy. This document is reviewed and updated on an annual basis and sets out the framework for managing risks of all types.
- 2.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and Joint Management Team (JMT). This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year and three risks have been added to the Register during this quarter as detailed in 3.2. A formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities.

2.3 In summary this report sets out the following:

- the principles by which the Council manages risk
- quarter three Risk Review (Appendix 1) and Risk Heat Map (Appendix 2)
- issues outstanding from 2013/14 Risk Audit

3.0 Report Details

3.1 **Underlying Principles:** the following principles continue to be used for the management of risk

Core Risks: these are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Residual/Net Risk: this is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in residual risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

Types of Risk: the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at the service and directorate level and not corporately through the strategic risk register. Our definitions are as follows:

- Strategic risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- Corporate risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- Partnership risks to a partnership meeting its objectives or delivering agreed services/ projects.
- Operational risks specific to the delivery of individual services/service performance or specific projects.

3.2 The Council's Risk and Opportunities Strategy was fully reviewed and redeveloped during 2011/12 to take into account the new joint management arrangements within Cherwell District Council and South Northamptonshire. This strategy ensures that the joint management team use a single approach to risk management. Risks are clearly identified as Cherwell, South Northants, shared or 3 Way (to reflect current shared working with Stratford District Council) and managed to reflect this status.

The strategy has been reviewed as part of an annual process and minor adjustments have been made. These reflect the recommendations made as part of

the audit and changes to the information management and data collection system that underpins the process.

As part of the business planning process for 2014/15 strategic, corporate and partnerships were reviewed and updated by JMT to ensure its contents reflect current priorities and circumstances. Three new risks have been identified since then and are now included on the register for reporting this quarter.

- S19 - Banbury Developments
- S20 - Asset Management
- S21 - Dry Recycling Contract

Third Quarter Risk Review

3.3 The risk register is attached as Appendix 1. The register has been reviewed by the risk owners and members of JMT. Each risk has commentary for quarter three included.

3.4 Changes to the full risk register during this quarter are summarised below:-

Risk Type	Risk Ref	Risk Name	Comments/Actions
Strategic	S17	Joint Working (three-way)	<p>↑ Increase in residual risk scores</p> <p>Risk has increased this quarter. Ability to deliver three way joint working programme in original time frame is severely constrained due to Stratford District Council adopting a different timetable for adoption of the business case.</p> <p>Transformation Joint Working Group (TJWG) and Joint Arrangements Steering Group (JASG) are reviewing position</p> <p>Probability scores have increased to reflect this position</p>
Strategic	S19	Banbury Development	<p>New Risk : Cherwell specific</p> <p>The interdependencies between the private and public sites are very dynamic, and only partly within our control. This makes alignment of all the stakeholders' objectives with those of the Council unlikely and puts at risk the delivery of the Council's objectives.</p>

Risk Type	Risk Ref	Risk Name	Comments/Actions
Strategic	S20	Asset Management	<p>New Risk : Cherwell specific</p> <p>Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.</p> <p>A report was presented at Executive in December 2014 to agree a way forward. A detailed action / resource plan is being generated and will be presented to the board responsible for monitoring the asset strategy in January 2015 together with revenue and capital bids for the 2015/16 budget process.</p>
Strategic	S21	Dry Recycling Contract	<p>New Risk : Shared</p> <p>The shared Dry Recycling Contract is due February 2015. The current suppliers, UPM were asked to extend Contract for a further three years but are trying to get out of an extension due to financial losses. A meeting has been scheduled with UPM and Procurement and Legal for 26 January 2015.</p> <p>Failure to legally enforce contract extension option or renegotiate contract could lead to the need for short term arrangements or re-tender of the contract. Commodity prices are falling – with reduced oil prices plastic recycling prices will fall. Paper prices already fallen due to falling newspaper.</p> <p>Financial risk of reduced income (could be £20/tonne) or more. Service risk if outlet for recycling not secured.</p>
Corporate	C04	Corporate Fraud	<p>↑ Increase in residual risk scores</p> <p>Risk reviewed - Residual probability increased from a 2 to a 3 as a result of the transfer of fraud investigators to the DWP in February 2015.</p> <p>Whilst a Corporate Fraud Team has been approved and established, not all posts have been appointed to and it would be short sighted to think that the loss of experience in this field does not increase the possibility of fraud at the Councils.</p> <p>Active monitoring and intervention at a more senior level is being exercised whilst the new unit is being formed and beds in.</p>

3.5 Operational Risks

Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level. As with service performance indicators, any issues arising from these operational risks may be escalated via performance and risk reports to JMT. In the event of this occurring they would also be reported to the Accounts, Audit and Risk Committee in their quarterly reports.

3.6 Operational risks have already been identified through the development of 2014/15 service plans and will be further reviewed as part of the 2015/16 Service/Business planning process.

3.7 Issues outstanding from 2013/14 Risk Audit – Price Waterhouse Coopers (PWC)

Recommendations from the audit, with resolutions, are detailed below:-

Audit Recommendation	Resolution
Review of Operational Risks	An Operational Risk Review is currently being undertaken as part of the Service Planning process for 2015/16
Standardise format for Service Risk Registers	This issue is being addressed as part of the Operational Risk Review

Progress on these issues will be reported as part of future quarterly risk updates.

4.0 Conclusion and Reasons for Recommendations

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

Option 1 To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

Option 2 To reject the current approach and proposals and report any concerns arising to the Executive.

5.0 Consultation

5.1 Both CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted on the development of the Risk Strategy

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1 To reject the current approach and proposals and request recommend an alternative approach to risk management. This option is not recommended as it departs from the Council's stated approach to risk management as set out in its risk and opportunities strategy.

7.0 Implications

Financial and Resource Implications

7.1 There are no specific financial implications arising from this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager,
Tel: 01295 221731, E-mail: nicola.jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no specific legal implications arising from this report,
Comments checked by: Kevin Lane, Head of Law and Governance,
Tel: 0300 0030 107, Email: kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All strategic priorities

Lead Councillor

Councillor Kieron Mallon
Lead Member for Banbury Developments, Communications and Performance.

Document Information

Appendix No	Title
Appendix 1	Quarter 3 Risk Register 2014/15
Appendix 2	Quarter 3 Heat Map
Background Papers	
None	
Report Author	Louise Tustian, Acting Corporate Performance Manager
Contact Information	Louise.tustian2@cherwellandsouthnorthants.gov.uk 01295 221786

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Comments for Q3 Review	Date Closed If applicable
S1	01/04/2013	Common	Kevin Lane		Policy and legislative change	The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge	Political / Social / Economic	4	5	20	Executive and Cabinet Away Days completed Q2 to brief members on new policy and legislative changes and their impact on Business Planning		JMT forward plan, Executive and Cabinet Forward plans, Scrutiny Committees. Business and Service Planning. Business Planning meetings to brief Executive and Cabinet. Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly including lead members/portfolio holders in one to one's with JMT members. JMT undertake policy oversight role	3	4	12		No legal challenge has been made to any decision by either Council alleging misapplication of the law	This risk continues to be mitigated effectively and no failures have arisen at either Council	
S2	01/04/2013	Common	Martin Henry		Financial resilience	The impact of external financial shocks, new policy and increased service demand reduces the Councils medium and long term financial viability	Political / Social / Economic	4	4	16	Medium Term Financial Strategy Complete		Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly Participate in NFO and OTA work streams Programme management approach being taken	2	4	8		Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees	Risk reviewed - Provisional settlement for 2015-16 in line with expectations and 2015-16 budget broadly balanced at both authorities. Key risk will be any policy changes that are enacted after the general elections in May.	
S3	01/04/2013	Common	Martin Henry		Capital Investment and Asset Management	Poor investment and asset management results in the Councils' not maximising financial return or losing income.	Political / Social / Economic	3	4	12			Treasury management policies in place Investment strategies in place Regular financial and performance monitoring in place Independent third party advisers in place and different ones used at each Council Regular bulletins and advice received from advisers Fund managers in place Property portfolio income monitored through financial management arrangements on a regular basis Experienced professionally qualified staff employed at both Councils. Asset Management review and conclusions expected to be reported at both Councils by the end of the year.	2	3	6		Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees	Risk reviewed - No change to risk description or controls	
S4	01/04/2014	SNC	Chris Stratford	Richard Payton	Moat Lane Roadworks Phase 1	Failure to obtain full and satisfactory Technical Approval of all aspects of the required road works in a timely manner may cause the planned programme to overrun and because this is linked to a Planning Condition (PC), the Community Building cannot be occupied until the road works are completed.	Political / Social / Economic	4	5	20	Shared Risk with Towcester Regeneration Limited (TRL)		Towcester Regeneration Limited (TRL)/Morgan Sindall Construction (MSC) have engaged a Highways Consultancy (Curtin's) to resolve these issues with the Northamptonshire County Council Highways Authority and the Highways Agency.	4	5	20		These are under the complete control of TRL/MSC.	The programme, overall, is 2 weeks behind schedule. And the contractor has confirmed practical completion of the building will be 16th March 2015. We have received a formal letter from Morgan Sindall advising that a delay in obtaining technical approval from Northampton County Council Highways around the section 278 and s38 agreement has the potential to lead to a further delay to practical completion - no details of actual delay have been reported to date . Therefore in the absence of any further information from Morgan Sindall Construction, we must report our understanding that, the 16th March is the date by which the scheme will be completed, at this time.	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Comments for Q3 Review	Date Closed If applicable
S5	01/04/2013	SNC	Adrian Colwell		SNC Managing Growth and capitalising on opportunities	Failure to capitalise on the growth agenda results in lost opportunities in terms of economic, community and infrastructure development and financial gains (e.g. business rates retention). The ultimate impact is long term and impacts upon the strategic objectives of the council and quality for life for local residents and communities.	Political / Social / Economic	4	4	16	JCS approved at JPC Examination resumed in April 2014		Master planning process Core strategy Economic development strategy Inward investment plan	2	3	6		Planning Policy and Regeneration Strategy Committee	Joint Core Strategy agreed at Joint committee 15/12/14. Legal appeal period not yet concluded after which plan is in force	
S6	01/04/2013	SNC	Adrian Colwell		HS2	Failure to engage on HS2 matters and failure to plan to mitigate potential impacts of HS2 result in: A higher negative impact on the district in terms of environment, disruption and economy than would be the case if the best mitigation outcomes are achieved. Failure to be seen to be acting in the best interests of the district and attempting to influence decision making may also have an impact on the council's reputation.	Political / Social / Economic	5	5	25	Petition submitted to Parliament on 15 May 2014. Negotiations continue with HS2 Ltd on mitigation required - including 03/09/2014 meeting		Member and Officer representation on the main 51M board Part of the Oxfordshire and Northants planning group (working with developers to manage the impact) Involvement with local community groups Working with local parish councils Member of HS2 Route Planning Forum	3	2	6		Cabinet and Planning Policy and Regeneration Strategy Committee	SNC gave evidence on HS2 matters to Hybrid bill committee on 3/2/15	
Page 98	01/04/2013	Common	Natasha Barnes and Liz Crussell		Customer Service Improvement	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	Customer Citizen / Service Delivery / Operational	4	3	12	Following suspension of two way project on CRM and Channel shift, interim measures are being considered with ICT pending revised strategic consideration of three way customer service requirements. Lagan upgrade at SNC being undertaken		CDC – customer service standards in place (e.g. voicemail) Web – both councils redesign undertaken and on-going development is undertaken – this includes online forms and payment Managers discuss service changes with customer services to mitigate any negative impact on customer service On-going review of the web (SNC you said we did page – noting actions taken from customer feedback) Customer communications in local / residents newsletters Customer complaints process JMT highlight service changes to customer service teams to ensure web/service team can deliver	4	3	12	Staff Recruitment process undertaken and two staff were appointed. A third post will be readvertised. In addition recruitment for temporary staff to support new ways of working in The Forum about to commence.	Project governance, performance management reporting, customer insight reporting.	SNC staffing issues continue to reduce capacity. Payment kiosk will not be procured in time for The Forum opening, so F2F payments will now continue on the existing Chip and Pin device requiring customer service staff intervention.	
S8	01/04/2013	SNC	Adrian Colwell		Silverstone Masterplan	Failure to capitalise on the opportunities afforded to the district through the Silverstone development and failure to manage the risks associated with the programme result in: • Failure to maximise long term economic benefit to the district • Negative impact on the a43 – (impact of transport risks) • Negative impact on council's reputation	Political / Social / Economic	4	4	16	Currently considering LDO for whole development area with AVDC. Utilities investment committed by MEPC		Planning negotiation processes (to cover transport delivery) Section 106 process to cover economic gains Strong working relationship with Silverstone	2	2	4		Silverstone Masterplan coordination group established.	Further discussions are arranged for Feb 2015 to address the S106 agreement and Development Brief implementation	
S9	01/04/2013	SNC	Adrian Colwell		SNC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Issues consultation completed. Review of confines underway. Parish Councils involved. GVA Employment Land Study complete		Partnership working with the JPU will deliver some elements of the plan (this partnership is recorded on the risk register as a separate item) For issues which are solely within the control of SNC polices, plans and resources are in place. Work is well advanced on rural settlements, village confines draft planning guidance and development control polices are underway. A statement of community involvement is in place	3	4	12		Cabinet and Planning Policy and Regeneration Strategy Committee	Additional staff are due to be appointed to ensure post Joint Core Strategy adoption the Local Plan meets its milestones	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Comments for Q3 Review	Date Closed If applicable
S10	01/04/2013	CDC	Ian Davies		Deprivation and Health Inequalities	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	Political / Social / Economic	3	3	9			Long term commitment to support local people and communities as many issues can only be addressed on this basis Multi agency actions with clear and common objectives Additional funding from Government grants to supplement current resources LSP focus on Brighter Futures in Banbury programme Contingency fund made available in CDC budget Programme co-ordination role in place Quarterly performance management in place	2	3	6		Project governance LSP oversight, Quarterly reporting Annual Report	Voluntary sector partner engagement event successfully held at Banbury and Bicester College on 3 December. New initiatives underway.	
S11	01/04/2013	CDC	Adrian Colwell		CDC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Local Plan submission to Secretary of State		A Local Development Scheme is in place which details the timeframes and deliverables to underpin the work Resources are in place to support delivery including QC support	3	4	12		Executive and Full Council	Examination completed on 23/12/14. Inspectors Report is due end March 2015	
S13	01/04/2013	CDC	Karen Curtin		North West Bicester (Eco-Town)	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the Council	Political / Social / Economic	4	4	16	Revised terms of reference of the CPN agreed and to commence in 14/15 including clarification over engagement and consultation processes for change		Planning policy development through Local Plan Eco Town Project plan & related partnerships Working with private & public sector partners Programme Board in place Lead Member in place	3	3	9		Programme Governance Performance Management	No changes to risk controls or scores Project deliverables on track at end of Quarter 3.	
S14	01/04/2013	CDC	Karen Curtin		Bicester Town Centre Development	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the Council	Political / Social / Economic	3	4	12	Project delayed due to price negotiations with contractor and request to Council for additional funds. Start on site now scheduled for Jan 2015.	01/01/2015	Project manager in lead role Project Board Legal agreements in place Joint venture with the developer (underpinned by legal agreements) Monthly performance / projects reports Resources and technical advice provided as part of the developer agreement	3	3	9		Project Governance	Risk reviewed - no change to risk scores JR period on planning consent runs for 6 weeks from Dec 30th 2014.	
S15	01/04/2014	CDC	Karen Curtin		Graven Hill	Failure to deliver the project results in severe loss of economic benefit, local dissatisfaction and damage to reputation	Political / Social / Economic	3	4	12	S106 and land purchase completed on 8 and 11 August 2014 JR period has passed and we are preparing an implementation plan.		Project Manager Project Board Companies set up Business Plan and Finance Plan being monitored	3	3	9		Project Governance	Project deliverables on track at Q3 No changes to risk controls or scores	
S16	01/04/2013	CDC	Ian Davies		Horton Hospital	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	Political / Social / Economic	4	4	16	Regular engagement with OUHT via the community partnership network quarterly meetings and engagement in service change processes Revised terms of reference of the CPN agreed and to commence in 14/15		Support to the Oxford University Hospitals Trust (OUHT) and emerging GP commissioning structure to maintain services Providing evidence of deliverability of consultant delivered services elsewhere Gaining consensus locally that this is important Ensuring local councillors are briefed and engaged to play a community leadership role Continuing to support a local stakeholder group (CPN) with OUHT, GP and OCC representation to hold service commissioners and providers to account and to communicate the health sector changes to the wider population.	3	3	9		LSP oversight and annual report to Executive	Latest CPN activity includes review of local ambulance service, the interface of physical and mental health services locally, GP pressures and OUHT /Horton developments and update	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Comments for Q3 Review	Date Closed If applicable
S17	01/01/2014	3Way	Sue Smith	Claire Taylor	Joint Working (three way)	Failure to deliver against the Transformation Programme could result in failure to deliver the savings required in the medium term revenue plans. It will also have a detrimental impact on the Councils' reputations and a failure to deliver against the TCA bid.	Resource / Financial / Human	4	4	16	Adopt three way organisational change policy Transformation Joint Working Group Joint Arrangements Steering Group Corporate performance management (quarterly updates)	01/09/2014	Programme Plan Monthly programme updates (to Member working group TJWG) CEOs to sponsor key elements of the work programme Officer steering group Business case process	4	4	16		Audit JASG (Joint Arrangements Steering Group – Member led) Legal advice (external) covering governance proposals Overview and scrutiny MO and S151 sign off of business cases	Risk has increased this quarter. Ability to deliver three way joint working programme in original time frame is severely constrained due to Stratford District Council adopting a different timetable for adoption of the business case. Transformation Joint Working Group (TJWG) and Joint Arrangements Steering Group (JASG) are reviewing position.	
S18	01/04/2014	CDC	Chris Stratford	Helen Town	Build! @ Development Programme	Failure to deliver the Build! Programme resulting in financial loss, loss of economic benefit, local dissatisfaction and damage to the Council's reputation.	Political / Social / Economic	3	5	15	Corporate Finance Team support Strong Contract Management Weekly project reviews Customer engagement		<ul style="list-style-type: none"> Delivery Manager and Project Board Legal Agreements in place for land acquisitions and contracts with consultants and contractors Monthly project/performance reports Business Plan and Financial Plan monitoring Professional Construction Management Effective Communications Management Catastrophic would be a serious (fatal) health and safety incident which is always possible in a construction project but mitigated by sound H & S procedures and CDM measures. Financial risks are major given the level of investment but mitigated by budget management and professional construction management Overall reputational risk is major given the profile of this project locally and nationally but managed by communications and strong project management. 	3	4	12	<p>The internal and external arrangements for communication and reporting are still in place.</p> <p>A QS has been appointed to support the contract management and cost management process.</p> <p>Updated milestones have been agreed with the HCA to mitigate any loss of grant.</p> <p>Customers receive updates on a weekly basis.</p> <p>Customers undertake a CSCS Card (Health and Safety training and assessment)</p>	<ul style="list-style-type: none"> Programme Governance Information Management System (IMS) with the HCA HCA Programme Audit (annually) HCA Design and Quality Audit Considerate constructor scheme Fortnightly Project Boards 	The Build! (R) self build homes are selling well. Regular Face Book adverts are being placed (and proving effective) to support the sales process.	
S19	01/10/2014	CDC	Calvin Bell		Banbury Development	The interdependencies between the private and public sites are very dynamic, and only partly within our control. This makes alignment of all the stakeholders' objectives with those of the Council unlikely and puts at risk the delivery of the Council's objectives.	Resource / Financial / Human	4	4	16	Effective project Board chaired by the Portfolio Holder and consisting of appropriate Leading Members and senior officers		<p>Regular meetings of the Project Board</p> <p>Establish clearly defined set of project objectives that take account of the interdependencies</p> <p>Break the project into small deliverables to reduce impact of interdependency</p> <p>Identify all stakeholders, establish their attitude interest and influence, and identify means of maximising the benefit of the positive and influential, and containing the impact of the negative and influential.</p>	3	4	12	<p>A review of Council owned car parks and associated sites within the town has been commissioned and will ultimately lead to review of Bolton Road development brief and the identification for the potential development of other sites.</p> <p>Discussions with OCC have been established in order to review and try and improve highway arrangements within Canalside. Banbury developments Board now meeting regularly to review progress and actions, both in respect to Council Owned and Privately Owned sites within the town. In particular, in respect to the major development sites; Legal discussions in respect of Development Management Agreement for CQ2 have been established and the financial model for the development is being tested. The main outstanding Highways issues for the site are now also resolved.</p>	Regular risk monitoring and review discussions by the project board	Good progress is being made, as reflected within the actions being taken	

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S20	01/10/2014	CDC	Karen Curtin		Asset Management	Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.	Resource / Financial / Human	4	4	16			In 2015/16 to agree and implement 1) Asset Strategy Resource Plan 2) Operational Offices Plan 3) Car Parks Plan 4) Community Buildings Plan 5) Local Centres Plan Future Controls:- In 2016/17 to agree and implement 1) Data and Systems Plan 2) Operational Depot Plan 3) Leisure Buildings Plan 4) Commercial Investment Plan	2	4	8	Report presented at Executive in December 2014 to agree a way forward. A detailed action / resource plan is being generated and will be presented to the board responsible for monitoring the asset strategy in January 2015 together with revenue and capital bids for the 2015/16 budget process.	At the current time an Accommodation Asset Strategy Board provides a forum for debate and discussion about property matters. The Board comprises the Lead Members for Finance and Estates/Economy. The officer support is made up of representatives of Estates, Regeneration, Housing, Finance, and Bicester. The role and responsibilities of the Board will be clarified having regard to the actions and priorities arising out of the Asset Strategy.	Most people use public assets, such as council buildings, leisure centres, car parks and community facilities. They help shape the character of local areas and influence the quality of life for local people. They make an important contribution to local priorities. These plans and actions will enable the Council to deliver its vision for asset management which reduces the risk of the council not delivering in key strategic objectives Project Deliverables on track at Q3.	
S21	01/10/2014	Common	Ed Potter		Dry Recycling Contract	Failure to renegotiate/extend Dry Recycling Contract due February 2015. Current suppliers, UPM were asked to extend Contract for a further three years but are trying to get out of an extension due to financial losses. Failure to legally enforce contract extension option or renegotiate contract could lead to the need for short term arrangements or re-tender of the contract. Commodity prices are falling – with reduced oil prices plastic recycling prices will fall. Paper prices already fallen due to falling newspaper. Financial risk of reduced income. Service risk if outlet for recycling not secured.	Environment	4	4	16	Meeting Contractor with Procurement and Legal teams.		Meeting scheduled with UPM, Procurement & Legal	4	4	16	Meeting UPM with Procurement & Legal on 26th January 2015 – outcome of this will determine Actions		New risk added following UPM's refusal/reluctance to extend current contract for Dry Recycling. Financial impact could be £20/tonne or more.	
C1	01/04/2013	Common	Jackie Fitzsimons		Business Continuity	That plans are not in place to ensure services can be delivered in the event of a issue resulting in service failure and reputational damage	Business Continuity	4	5	20	Business Continuity Strategy refreshed during Quarter 4 ICT arrangements now complete		Business continuity strategy in place All services prioritised and recover plans reflect the requirements of critical services ICT disaster recovery arrangements in place JMT lead identified Incident management team identified All services undertake annual business impact assessments	4	3	12	Audit and business continuity plan refresh Quarter 4	Review almost complete and plans submitted but need quality check; Joint Exercise to test plans carried out on Q3 ; results will further inform review		
C2	01/04/2013	CDC	Martin Henry	Balvinder Heran	ICT loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.)	Business Continuity	4	4	16	Achieved ISO 22301 Business Continuity Plan updated		BCP Plan Disaster recovery arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	3	9	External accreditation	The back up system at SNC has been upgraded from version 2012 to version 2014, to improve the back up performance and resilience of the system. Various successful restore tests have been run as part of the back up policy test schedule.		

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C3	01/04/2013	SNC	Martin Henry	Balvinder Heran	ICT loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation).	Business Continuity	4	4	16	Achieved ISO 22301 All systems at SNC are backed up to tape and stored off site. There are no DR arrangements for SNC or site to re-locate to in the event of a DR situation. Documentation is in place for the recovery using the tape system but in the event of a total failure at SNC there would be a considerable delay in bringing back systems due to the nature of the tape recovery systems		BCP Plan Disaster recovery arrangements (Limited) Back up of systems Process and standards (compliance regime)	3	4	12	When the move to the Forum is made a bid will be made to put in place a direct link between the Forum and Tove Depot plus all the costing's to have a DR site. This will be compared with other DR solutions available such as third party contracts. On way to test this and put something in place short term is to extend the SDC DR contract with a third part. Prices will be obtained for SNC to have short term DR in place and to enable the joint ICT team to test the third party arrangements.	External accreditation	The 1 Gbps line has been ordered between the Forum, Moat Lane and Tove Depot, once this is in place a strategy can be developed to replicate key systems to the Tove Depot Site. Replicating the Key systems to Tove Depot will allow the development of a BCP and DR recovery plan utilising the desk locations at Tove depot on the 1st and Ground Floor. System recovery plans are in place and will be reviewed in February as part of the Forum, Moat Lane Move. 3rd suppliers have been contacted regarding an underpinning contract for DR. Mitigation of risk to hardware during the move period will be handled by using our hardware support contract to move the equipment from Springfield to The Forum, Moat Lane give instant response to any hardware issue that arise.	
C4	01/04/2013	Common	Martin Henry		Corporate Fraud	Lack of corporate governance and control results in fraud from either within or outside the Councils heightened by the transfer of staff to the Single Fraud Investigation Service (SFIS) from February 2015.	Legal & Professional	4	4	16	A Joint Corporate Fraud Team has been agreed at CDC and SNC and a senior investigating officer appointed to the new structure.		Professionally qualified finance staff. Communication of anti-fraud messages. Specific corporate fraud resource within the Councils Fraud risk assessments carried out periodically. Audit Committee at SNC. Accounts, Audit and Risk Committee at CDC Benefit fraud campaigns advertised. Benefit fraud identification and convictions communicated to the local press. Internal controls processes and procedures (segregation of duties, checking of information etc.) Periodic checking of data (single person discounts, Audit Commission data matching etc.) Membership of National Anti Fraud Network. Role of S151 and monitoring officers. Fraud detection & prevention corporate policies in place such as Whistle Blowing and Anti-fraud & Corruption Policy. Standard agenda items on Accounts, Audit and Risk Committee and Audit Committee. Use of internal and external audit as part of planned programme and on an ad-hoc basis as required.	3	4	12	Corporate Fraud Team approved and established	The role and responsibilities of the Board will be clarified having regard to the actions and priorities arising out of the Asset Strategy.	Risk reviewed - Residual probability increased from a 2 to a 3 as a result of the transfer of fraud investigators to the DWP in February 2015. Whilst a Corporate Fraud Team has been approved and established, not all posts have been appointed to and it would be short sighted to think that the loss of experience in this field does not increase the possibility of fraud at the Councils. Active monitoring and intervention at a more senior level is being exercised whilst the new unit is being formed and beds in.	
C5	01/04/2013	Common	Jo Pitman	Lou Tustian	Managing Data and Information	Poor data quality or lack of relevant information results in poor decision making	Legal & Professional	4	4	16	Review of performance framework to be undertaken during quarter 3		Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place	3	3	9	Review of performance framework to be undertaken during quarter 3	Audit, data quality checks as part of performance management framework.	Presentation of performance framework was received positively by members of Scrutiny at SNC. Actions taken away around more specific & timely commentary for members to be able to address/suggest any areas of further scrutiny. Monthly checks of data has started.	
C6	01/04/2013	Common	Kevin Lane		Member Decision Making	That members do not have access to information and support to make effective decisions	Legal & Professional	4	4	16	Member reporting template for both Councils includes mandatory insertion of legal implications arising from the recommended decision. Requirement for JMT member sign off of Committee reports has been reinforced at JMT		Attendance of professionally qualified and experienced officers at all Member decision taking meetings. Business Planning meetings at Executive and Cabinet. Council Constitutions. Member Development Programmes. Legislative requirements. Call in processes. Sign off of Council/Executive/Cabinet/Committee reports by JMT member	3	4	12		No decision has been made by either Council which is inconsistent with the policy framework or legal requirements	This risk has been mitigated effectively this quarter with no instances of either Council taking a decision on an uninformed basis.	

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C7	01/04/2013	SNC	Jo Pitman	Pat Simpson	Moat Lane Relocation and Change (MLR)	That failure to effectively manage the Moat Lane relocation and organisational change project results in increased costs, reputational damage and loss of opportunity to improve the Council's performance and accessibility.	Customer Citizen / Service Delivery / Operational	5	4	20	Change control is in place and working effectively, as is the regular meeting and reporting framework The project has successfully recruited a new dedicated communications resource which is proving effective. Staff and member panels are providing useful, and the introduction of the regular JMT sub-group is an aid to raising and driving the resolution of issues, and cementing the link between the build and relocation timetables. EIA's will take place as service access plans are developed Post-PC plan is currently in development in liaison with all workstream leads and JMT, highlighting all the activities that must be done in the period between practical completion and the council moving into the building. All BAU activities and performance reporting requirements scheduled for the relocation period are also being collated in order that the Project Board can take a view on what is the highest priority to protect during the short disruption period. Removal plan and staff guide to moving will be prepared October 2014. The loss of the Business Change project manager is being addressed with a recruitment under way now. Additional resources for back scanning are being recruited to ensure the paper mountain is cleared before relocation.		An agreed budget and formal change control to ensure transparency around variances Project Team and delivery group meeting fortnightly Project Board receiving updates Monthly Dedicated communications resource Staff panel and Members group providing sounding boards and solutions to practical issues Fortnightly updates and issues raising with JMT EIA for each new service access approach planned Detailed planning for the post PC period taking an approach that can flex according to the specific dates once they are known. Identification of BAU activities potentially at risk during relocation, and preparing a risk approach that meets the corporate needs of the council	3	4	12	EIA's for self service payments, and the introduction of appointments are in preparation now. The Post PC Plan is becoming very detailed but is still prepared with an assumption of PC being March 16, pending final confirmation from MSIL. The Managers' Guide to Relocating Your Service, and the Employees' Guide to working at The Forum are in final draft and will be made live during February. Adding to the scanning team has been beneficial, but unfortunately services have left it quite late in some instances to uncover information and documents they need to have scanned before relocation, so that additional capacity will not be sufficient; the budget allocated to paper light however should be sufficient to use alternative methods including external scanning to disk, and offsite storage. The vacant Business Transformation Project Manager post has been recruited to, although with annual leave commitments already in place before appointment that we will honour, she will not be available at the time of the move itself if it takes place as expected currently, over Easter. The Programme Manager will be leaving the organisation at the end of February, so managing the processes of the removal weekend will be planned accordingly.	Project Board, Senior Sponsor	New controls are effective in part - the paperlight piece of this work remains the highest risk as some services have left it very late to identify their scanning requirement, despite having had a year to validate their documents against the retention and disposal policy. An exception plan to address the need is being drafted and currently there is no increased risk of documents, records and information not being clear of Springfields by the time of the move. Current planning for an Easter weekend move brings with it additional cost and a slightly increased risk arising from the availability of ICT suppliers to support SNC should any of the servers have a problem after being moved and switched on again.	
C8	01/04/2013	Common	Martin Henry		Joint Working	Failure to implement and manage joint working results in not meeting savings targets or a decline in performance and/or reputational damage	Customer Citizen / Service Delivery / Operational	5	4	20			Leading members and Joint Management Team committed to partnership working and reducing associated costs wherever possible Programme management approach ensures regular review, monitoring and delivery Number of business cases progressing well Initial discussion taking place with other potential partners Financial imperative to deliver savings built into the budget	3	4	12		Executive, Cabinet, Joint Arrangements Steering Group	Risk reviewed - no change to risk description or controls.	
C9	01/04/2013	Common	Jo Pitman	Janet Ferris	Communications	Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale	Reputation / Communication	4	4	16	Social media training for Members has now taken place		Centralised press office function Members attributed and sign of press releases Communications strategy in place Members media training Social Media Policy Specific communications plans in place for major projects	3	3	9		SNC members communications panel, CDC member lead for communications, Quarterly performance reporting, CDC annual satisfaction survey includes comprehensive communications section.	Risk reviewed and no change required	
C10	01/04/2013	Common	Jo Pitman	Caroline French	Equalities	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	Legal & Professional	4	4	16	Knowing Your Communities event on Dementia Awareness scheduled for Q3 Equality Actions monitored through the Equality Scorecard within Performance Matters.		Rolling programme of equality assessments Equality policy and corporate plan in place Equalities requirements to be identified in service plans Equalities training available for staff and members Equalities awareness programme at CDC (knowing our communities)	4	3	12		Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.	No changes required - the Council maintains its controls through Equality Action Plan, EIA rolling Plan linked to service planning and quarterly performance reports	
C11	01/04/2013	Common	Jo Pitman	Dave Bennett	Health and Safety	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	Legal & Professional	4	5	20	Review of current SNC/CDC policies/procedures with a view to creating a single Policy/Procedure		Both Councils have policies, procedures, and arrangements in place to mitigate the risks of accidents to staff, members of the public and contractors that may be affected by the Councils actions	3	5	15			Risk reviewed, no changes to actions, controls or scores required	

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C12	01/04/2013	Common	Jackie Fitzsimons		Emergency Planning	That plans are not in place to ensure the Council responds effectively in the event of a civil emergency and local residents are not supported. This could result in casualties, unnecessary hardship, impact on the local environment, costs and reputation.	Customer Citizen / Service Delivery / Operational	3	4	12	Reviewing arrangements for review and updating and to secure improved coordination of this and the BCP's		Emergency plan reviewed quarterly and on activation.	2	4	8		OCC EP Division have accepted our EP as being sufficient and suitable. OCC have also led on desk top studies of implementation.	Joint Exercise completed and results to inform update of arrangements; Regular update in place and staff identified to increase resilience for function; Forward Liaison Officers training undertaken; review of control room arrangements in progress ; Configuring Resilience Direct in progress		
C13	30/06/2013	CDC	Andy Preston		CDC Planning (Major Applications)	That planning performance (major planning applications) does not meet the planning inspectorate threshold and is subject to special measures	Reputation / Communication	5	4	20	Developers encouraged to have as much information ready in advance of the applications being submitted Controls introduced following development of action plan continue to be effective		<p>Closer management monitoring of progress, including a mid-point review.</p> <p>Identifying early if there is a need for senior management and political steer.</p> <p>Agreeing extensions of time with applicants.</p> <p>Monthly performance review meetings with Head of Service and Director</p>	3	4	12	No additional actions required.	Head of Service and Director oversight	The improvement measures introduced last year continue to show sustained level of performance, well above target and well above government criteria		
Page 104	01/02/2014	Common	Nicola Riley		Safeguarding Children	Failure to follow our policies and procedures in relation to safeguarding children or raising concerns about children and young people welfare	Political / Social / Economic	4	5	20	New Safeguarding lead in place. Section 11 for SNC completed CDC underway deadline 1/12/14. New simplified training pathway being established for all staff using some e-training, some face to face.		<p>Clear lines of responsibility established.</p> <p>Safeguarding Policy and procedures in place</p> <p>Information on the intranet on how to escalate a concern</p> <p>Staff training - at SNC this is being rolled out using new NCC e-training module</p> <p>Safer recruitment practices and DBS checks for staff with direct contact</p> <p>Action plan developed by CSE Prevention group as part of the Community Safety Partnership</p> <p>Local Safeguarding Children's Board Northamptonshire (LSCBN) pathways and thresholds</p> <p>Data sharing agreement with other Partners</p> <p>Attendance at Children and Young People Partnership Board (CYPPB)</p> <p>2014 Section 11 return being compiled</p>	2	5	10		Safeguarding champions to promote the welfare of children and be a point of contact for cascading information	Annual Audit of activity JMT and LSP also have specific actions and/ or meeting times JATAC (Joint Agency Tactical and Co-Ordination Meeting) at CDC where issues of CSE are currently discussed with partner agencies.	Risk reviewed and no change required	
	C15	01/04/2014	Common	Ed Potter		Waste Framework Directive	Failure to meet new legislation coming into effect on 01/01/2015 will increase cost of recycling for both authorities, reduce service delivery and increase customer dissatisfaction (New Legislation requires LA to collect glass, paper, plastics and metals separately unless it is Technically Economically Environmentally not Practical (TEEP) to do so.)	Environment	3	4	12	Report for Exec & Cabinet underway. Following the WRAP Route map	01/01/2015	<p>Working with other Authorities using the WRAP Route Map.</p> <p>Full report to be presented at Executive and Cabinet in November 2014</p>	1	4	4	Full report went to Cabinet in December & Executive in January.	Cabinet / Executive Reports	Unchanged. The EA are likely to contact all Councils regarding Waste Framework Directive by the end of the financial year regarding evidence of compliance	
P1	01/04/2013	SNC	Jackie Fitzsimons		SNC Community Safety Partnership	The partnership doesn't add value to the work of the Council Undertakes projects that don't align with strategic objectives of the Council. Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Customer Citizen / Service Delivery / Operational	3	3	9	CSP Forward Plan established. Regular (monthly) updates on performance reported to the CSP. New priorities agreed and proposals developed for the PCC Solutions Fund		Elected member representation at CSP Board level. Partnership has a clear strategy with measurable targets: clear and informative performance management document produced each month. Local action plans for multi-agency groups in Towcester and Brackley areas.	2	2	4			No change from Q2 - Funding from Police and Crime Commissioner for 14-15 is set against performance outcomes which were agreed in consultation with SNC ; Approval of funding and work streams by Budget and Financial Strategy Committee in Q1; performance monitoring also carried out quarterly and signed off by SNC and PCC office		

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P2	01/04/2013	Common	Jackie Fitzsimons	Jackie Fitzsimons	Policing and Crime Commissioner	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the Council PCC commissions projects that don't align with strategic objectives of the Council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	PCC has informed CXs that funding for 2015/16 will be the same as for 2014/15		Effective local Community Safety Partnership meetings Elected member representation at PCP Elected Member representation at Northamptonshire and Oxfordshire Board (OSCP) arrangements. Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP Steering Group Policy	2	2	4		PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP	Risk reviewed , there are no changes to the risk or controls this quarter	
P3	01/04/2013	CDC	Nicola Riley	Kevin Lerner	CDC Local Strategic Partnership	Failure or reduced effectiveness of the partnership could lead to: • Key partners adopting policies or projects inconsistent with each other, • Opportunities being missed for effective partnership working • Existing LSP sponsored projects failing to deliver their objectives Any of the above could result in wasted resources and reputational damage to the council and the partnership	Political / Social / Economic	3	2	6	Reference Group Conference will be combined with 12 November Parish Liaison Meeting.		Board meetings 5x per year. Annual "Reference Group" conference to report to and gain guidance from the wider community CDC officer time dedicated to servicing the partnership and maintaining links between partners Annual "Reference Group" conference to report to and gain guidance from the wider community CDC officer time dedicated to servicing the partnership and maintaining links between partners	2	2	4	Joint Reference Group & Parish Liaison was held 12 November 2012. December Board meeting took place on 11 December 2014. Currently the LSP is kept 'ticking over'. It does not have an active CDC sponsor at a sufficiently strategic level to ensure appropriate breadth of agenda and continuing senior-level engagement by partners.	Reference Group	Currently the LSP is kept 'ticking over'. It does not have an active CDC sponsor at a sufficiently senior level to ensure appropriate breadth of agenda and continuing senior-level engagement by partners.	
P4	01/04/2013	CDC	Jackie Fitzsimons	Mike Grant	CDC Community Safety Partnership (CSCP)	The partnership doesn't add value to the work of the Council, undertakes projects that don't align with strategic objectives or the Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	Attendance at CSCP meetings. Funding agreed 2014-15 OSCB business plan approved and PCC priorities updated		CSCP meetings attended, funding secured 2014-15 OSCB business plan approved PCC priorities updated	2	2	4		PCC / OCC to audit spending, CSP reports to OSCP an subject to CDC ,PCC and PCP scrutiny	Funding for 2015 has been agreed at the same level as last year less Oxfordshire County Council contribution. It was agreed at CSCP to fund ASB and Youth provision as priority.	
P5	01/04/2013	CDC	Adrian Colwell		Oxfordshire LEP	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16	Officers commenced regular series of liaison meetings with OLEP. Board Members from CDC to secure alignment of work streams		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12			Staff contribute to OXLEP sub group on skills and investment. Many investment enquiries are forwarded by OXLEP to the Economic Development Team for consideration	
P6	01/04/2013	Common	Nicola Riley		Health and Wellbeing Partnerships /Boards	Failure of the new partnership arrangements results in both Councils not being able to meet its safe and healthy objectives.	Political / Social / Economic	3	3	9	Board and Locality Forum both meet quarterly. Healthier Northamptonshire programme has been set up to support priorities. Increased focus on integration of Health and Social Services and on Transitional funding.		Engagement with CC structures - note structures are different in each County. Oxfordshire has a clear structure and acknowledges the need for the District Council's direct contribution. However, greater Supporting People budget risk exists which is of more relevance to CDC. SNC engagement has commenced but there is a reliance on each District to set up its local forum with no clear guidance on the contribution mechanism of that to the county structure.	3	3	9	SNC Health and Wellbeing forum established and well received.	Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	Risk reviewed. No change for CDC but for SNC there is a growing concern over NCC procurement of new services to meet their tender. Exercise has stalled and there is little clarity over future provision and agencies to be involved. Cllr Herring briefed.	
P7	01/04/2013	Common	Adrian Colwell		South Midlands LEP (SEMLEP)	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16	Participate in all SEMLEP activities. Both Councils support of 'Velocity' rollout to support business growth		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12			Staff contribute to a series of SEMLEP working groups. Both Economic Development teams collaborate and double up where appropriate. SEMLEP supported RGF funding for the Abthorpe Junction and Towcester Relief Road.	

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P8	01/04/2013	SNC	Adrian Colwell		SNC Joint Planning Unit (JPU)	Failure to effectively manage the council's partnership with the JPU results in a failure to adopt a sound local plan. This relates to strategic risk s10 as without a sound local plan the long term strategic objectives of the council will be jeopardised and there is a potential negative impact on the council's reputation.	Political / Social / Economic	4	4	16	SNC now JPC Chair and provides legal advice, finance advice and clerking to meetings of the JPC		Partnership governance arrangements in place Working groups to support technical issues are in place (with both member and officer input) Retained QC for legal advice	3	3	9		Cabinet and Planning Policy and Regeneration Strategy Committee	No change. The Joint Committee meeting has agreed a substantial reduction in Joint Planning unit work following the completion of the Joint Core Strategy.	

Q3 RISK HEAT MAP : INHERENT RISK

Likelihood (Probability)

2014/15	Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
Catastrophic (5)	5	10	15 S18 : CDC Build! ® Programme	20 S01 : Policy & Legislative Change S04 : SNC Moat Lane Roadworks S09 : SNC Local Plan S11 : CDC Local Plan C01 : Business Continuity C11 : Health and Safety C14 : Safeguarding Children	25 S06 : SNC HS2
Major (4)	4	8	12 S03 : Capital Investment S14 : CDC Bicester Town Centre S15 : CDC Graven Hill C12 : Emergency Planning C15 : Waste Framework Directive	16 S02 : Financial Resilience S05 : SNC Managing Growth S08 : SNC Silverstone Master Plan S13 : CDC NW Bicester (Eco Town) S16 : CDC Horton Hospital S17 : 3-Way Working S19 : CDC Banbury Development (New Risk) S20 : CDC Asset Management (New Risk) S21 : Dry Recycling Contract (New Risk) C02 : CDC ICT Loss of Systems C03 : SNC ICT Loss of Systems C04 : Corporate Fraud C05 : Managing Data/Information C06 : Member Decision Making C09 : Communications C10 : Equalities P05 : CDC Oxfordshire LEP P07 : South Midlands LEP P08 : SNC Joint Planning Unit	20 C07 : SNC Moat Lane Relocation & OC C08 : Joint Working C13 : CDC Major Planning Apps
Moderate (3)	3	6	9 S10 : CDC Brighter Futures P01 : SNC Community Safety P'ship P02 : Policing & Crime Commissioner P04 : CDC Community Safety P'ship P06 : Health and Wellbeing Boards	12 S07 : Customer Service Improvements	15
Minor (2)	2	4	6 P03 : CDC Local Strategic P'ship	8	10
Insignificant (1)	1	2	3	4	5

Q3 RISK HEAT MAP : RESIDIAL RISK

Arrows indicate direction of travel compared with Q2

Likelihood (Probability)

2014/15	Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
Catastrophic (5)	5	10 ⇔ C14 : Safeguarding Children	15 ⇔ C11 : Health and Safety	20 ⇔ S04 : SNC ML Roadworks	25
Major (4)	4 ⇔ C15 : Waste Framework Directive	8 ⇔ S02 : Financial Resilience new S20 : Asset Management ⇔ C12 : Emergency Planning	12 ⇔ S01 : Policy & Legislative Change ⇔ S09 : SNC Local Plan ⇔ S11 : CDC Local Plan ⇔ S18 : CDC Build! ® Programme new S19 : CDC Banbury Development ⇔ C03 : SNC ICT Loss of Systems ↑ C04 : Corporate Fraud ⇔ C06 : Member Decision Making ⇔ C07 : SNC ML Relocation & Change ⇔ C08 : Joint Working ⇔ C13 : CDC Major Planning Apps ⇔ P05 : CDC Oxfordshire LEP ⇔ P07 : South Midlands LEP	16 ↑ new S17 : 3-Way Working new S21 : Dry Recycling Contract	20
Moderate (3)	3	6 ⇔ S03 : Capital Investment ⇔ S05 : SNC Managing Growth ⇔ S10 : CDC Brighter Futures	9 ⇔ S13 : CDC NW Bicester (Eco Town) ⇔ S14 : CDC Bicester Town Centre ⇔ S15 : CDC Graven Hill, Bicester ⇔ S16 : CDC Horton Hospital ⇔ C02 : CDC ICT Loss of Systems ⇔ C05 : Managing Data & Information ⇔ C09 : Communications ⇔ P06 : Health & Wellbeing Boards ⇔ P08 : SNC Joint Planning Unit	12 ⇔ S07 : Customer Service Imp ⇔ C01 : Business Continuity ⇔ C10 : Equalities	15
Minor (2)	2	4 ⇔ S08 : SNC Silverstone Masterplan ⇔ P01 : SNC Community Safety P'ship ⇔ P02 : Policing & Crime Comm ⇔ P03 : CDC Local Strategic P'ship ⇔ P04 : CDC Community Safety P'ship	6 ⇔ S06 : SNC HS2	8	10
Insignificant (1)	1	2	3	4	5

Cherwell District Council

Accounts, Audit and Risk Committee

25 March 2015

Corporate Fraud Team

Report of Head of Finance and Procurement

This report is public

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an introduction to the new joint Corporate Fraud team including the team's business plan for 2015-2016 and to ask members to consider and endorse the joint Whistleblowing and Anti-Fraud and Corruption policies which have recently been reviewed.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report.
- 1.2 To consider and endorse some minor changes to the joint Anti-Fraud and Corruption Policy (appendix 2)
- 1.3 To consider and endorse some minor changes to the joint Whistleblowing Policy (appendix 3).

2.0 Introduction

- 2.1 This report is to update members on the introduction of a new joint Corporate Fraud Investigation team following the transfer of Housing Benefit fraud investigation to the DWP under the Single Fraud Investigation Service (SFIS). This report will also outline a review of two policies which although remain largely unchanged, have some minor amendments,

3.0 Report Details

Background

- 3.1 Since 2012 the DWP has been committed to developing a single fraud investigation service to investigate benefit and tax credit fraud across local authorities, HMRC and DWP. Following a number of pilots DWP confirmed a roll-out plan that will see

the transfer of Housing Benefit fraud and local authority investigation staff to DWP by March 2016.

- 3.2 The Housing Benefit fraud investigation function at both Cherwell District Council (CDC) and South Northants Council (SNC) transferred to SFIS with effect from 1st February 2015. Following the implementation of SFIS the following areas of work will remain with the local authority –
- Council Tax Reduction fraud investigations
 - the compilation of information and evidence requested by DWP in support of a fraud investigation
 - amendments to any HB claims and the collection of any overpayments
 - participation in the National Fraud Initiative (NFI)
 - Corporate fraud and error investigations, including tenancy fraud, Council Tax discount/exemption fraud, NDR error and avoidance and procurement fraud.
- 3.3 A business case was agreed to implement a joint fraud team working across CDC and SNC to protect the councils from fraud and error and to protect the public purse.

Corporate Fraud Team

- 3.4 The Corporate Fraud Team (CFT) has been created with two posts, a Senior Corporate Fraud Investigator (SCFI) and a Corporate Fraud Investigator (CFI). Recruitment to the post of Senior Corporate Fraud Investigator has taken place and the officer has been in post since 1 February 2015. At the time of writing this report and following a recruitment exercise a successful candidate has been appointed to the role of Corporate Investigations Officer although a start date for the candidate has not yet been confirmed. The team will work as part of the Welfare and Debt Advice team in the Finance Division and will offer a fraud investigation service across both Councils. There will also be collaborative working with Stratford District Council whilst they are in the lead up to their transfer to SFIS.
- 3.5 In the first six months, the team's focus will be on building the new team, raising awareness of corporate fraud and establishing internal and external partnerships as well as completing the National Fraud Initiative for both Councils. The team will also be looking at wider corporate fraud issues. As the service is newly established there will be a 'bedding in' period for the team. Targets as shown below have been set for the first year but these will be reviewed and monitored on a monthly basis:
- To work with partners to investigate Social Housing fraud
 - To find £12,800 worth of Single Person Discount fraud
 - To find £12,000 worth of Council Tax Reduction fraud
 - To prevent 1 Housing Allocation fraud
 - To investigate grant fraud
 - To find £10,000 worth of Business Rate evasion/error
- 3.6 The team's business plan (shown at Appendix 1) sets out the main objectives for the team for 2015-2016.

DCLG Funding

- 3.7 A successful bid was submitted to DCLG for funding to support the work on corporate fraud and £129,625 was secured to help in achieving the following:
- Implementation of a shared fraud team
 - Progression of a project on shared IT and data sharing
 - Introduction of shared practices and procedures
 - Investigation and development of joint working with internal and external partners on fraud investigation
 - Supporting new incentives such as the joint Business Rates Support team to minimise fraud and error.
- 3.8 DCLG will monitor the work carried out through progress reports to ensure the funding is being used as set out in the bid document. An update report will be sent to them in March 2015

4.0 Conclusion and Reasons for Recommendations

- 4.1 Following the introduction of SFIS an opportunity was presented to review the way in which corporate fraud investigations should be undertaken across both councils in order to protect them from fraud and error and to protect the public purse. Members are asked to note the contents of this update report.
- 4.2 Members are also asked to endorse some minor changes to the joint Whistleblowing and Anti-Fraud and Corruption policies shown at Appendices 2 and 3 of this report. A similar report was taken to the Audit Committee at South Northants Council on 18 March 2015. If the Committee at South Northants Council resolve to make any further changes to either of the policies this will be reported verbally to this meeting to ensure a joint approach.

5.0 Consultation

- 5.1 Consultation on the original business case took place with members of Joint Arrangement Steering Group and reports were received by Executive

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not to have an anti-fraud presence at each council. This would expose both councils to the risk of fraud and error, and this in turn may pose a risk to the public purse.

7.0 Implications

Financial and Resource Implications

There are no financial implications directly arising from this report

Comments checked by:

Martin Henry, Director of Resources,
martin.henry@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 The Council is obliged to have a whistleblowing policy by the Public Interest Disclosure Act 1998. Both this policy and the anti-fraud and corruption and bribery policy are key components of the Council's corporate governance and risk management strategy.

Comments checked by:

Kevin Lane, Head of Law and Governance
kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priority of an accessible value for money council.

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
1	Corporate Fraud Business Plan
2	Anti-Fraud and Corruption Policy
3	Whistleblowing Policy
Background Papers	
None	
Report Author	Hannah Simons (Senior Corporate Fraud Investigator)
Contact Information	Hannah Simons 01327 322193 hannah.simons@southnorthants.gov.uk

Appendix 1
South Northants Council (SNC) and Cherwell District Council (CDC)
Draft Corporate Fraud Business Plan 2015-2016
Main Targets

Objective	Target	Target Date	Progress
<u>Objective 1</u> Complete National Fraud Initiative referrals for Council Tax and Housing Benefit for both SNC and CDC	Weekly target of 50 to be achieved	August 2015 for all matches to have been looked at and in progress All matches need to be completed and reported by 30.09.2015	CDC Council Tax Single Person Discount matches have been closed where possible and there are 150 that require review letters. SNC matches are still under review which should be completed by 31.03.2015 Housing Benefit matches for SNC and CDC have not been opened yet.
<u>Objective 2</u> Do undertake 23 CDC on-going investigations	Cases to have been reviewed and appropriate action taken	For all on-going cases to have been reviewed and closed where possible by 31.03.2015 and any cases requiring investigation to continue	Cases have been reviewed and will have all been update with most recent action by 20.03.2015
<u>Objective 3</u> To consult with Revenues Manager, prepare reports for members as appropriate and implement penalties for CT and changes at SNC as appropriate	To consult and produce a procedure	30.6.2015	.
<u>Objective 4</u> To successfully recruit to Corporate Investigation Officer post with training/induction plan in place.	To have trained effective officer in post	To have officer in post by the 31.03.2015 For training to be completed by 31.09.2015	New officer has been offered conditional position, awaiting references and medical clearance

<u>Objective 5</u> To investigate available systems to support fraud work including data sharing and draft any related business case for development	System in place and functioning to support corporate fraud	30.09.2015	Meeting with software provider arranged for 17.03.2015.
<u>Objective 6</u> Collaborative working with partners	Plan in place to enhance partnership working	30.10.2015	Potential partners identified
<u>Objective 7</u> Internal Communication plan to increase fraud prevention and awareness	Plan in place and agreed by JMT	30.06.2015	
<u>Objective 8</u> External communication plan to increase fraud prevention and awareness	Plan in place and agreed by JMT	31.07.2015	
<u>Objective 9</u> Review of corporate fraud policies	Policies to be reviewed and any changes agreed by Audit committees	30.9.2015	Whistleblowing and anti-fraud polices reviewed In March 2015
<u>Objective 10</u> Establish performance targets	Targets to be agreed	31.03.2015	Targets have been drafted, final agreement needed

<u>Objective 11</u> Data sharing opportunities to be investigated (including IT)	Data sharing barriers removed within the council and with external bodies when needed and SLA's in place where possible.	31.12.2015	
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2 Action Plan to achieve objectives

Proposed Action	Milestone Tasks	Responsible Person	Partners to consult / engage	Target Date	Success Indicator	Progress ()
<p>Objective 1: Complete NFI for both CDC and SNC</p> <p>Page 116</p>	<ul style="list-style-type: none"> Estimate initial workload by Feb 15 Develop a plan for completion of referrals by 28th Feb15 Monitor workloads on weekly basis Monthly statistics to feed into team performance and corporately End of project report with further actions 	Senior Investigations Officer	Investigations Officer	End target date of 01.10.2015	That all of the matches have been actioned	<p>Plan for completion of referrals agreed</p> <p>Completion target of 50 per week agreed.</p> <p>Performance will be monitored monthly with feedback to all stakeholders</p> <p>Progress as at March 15 - 10%</p>
<p>Objective 2: Undertake CDC on-going investigations</p>	<ul style="list-style-type: none"> Handover of existing cases Weekly updates on cases 	Senior Investigations Officer	Legal, Service Assurance, Customer Services	Dependant on Court availability	That all cases are carried out and completed in a timely manner	Progress as at March 15 – 20%
<p>Objective 3: To consult with Revenues Manager, prepare reports for members as appropriate and implement penalties for</p>	<ul style="list-style-type: none"> Prepare initial report by 30th April 2015 Meeting with Revenues Manager by 	Senior Investigations Officer	Revenues Manager,	30.7.2015	Decision as to whether to implement penalties	

<p><i>Council Tax and changes at SNC as appropriate</i></p>	<p>30.5.2015</p> <ul style="list-style-type: none"> • <i>Report to Budget Committee 10.6.15</i> • <i>Report to Cabinet 13.7.15</i> 					
<p><i>Objective 4: Successfully recruit to Investigations Officer Post</i></p>	<ul style="list-style-type: none"> • <i>Recruitment to be completed by 27.02.2015</i> • <i>Source Corporate Fraud training and other appropriate training identified by Senior Investigations Officer or Fraud Investigator</i> 	<p><i>Senior Investigations Officer</i></p>	<p><i>Fraud Investigator</i></p>	<p>31.09.2015</p>	<p><i>Training is booked and the plan is ready for Fraud Investigators start date</i></p>	<p><i>Officer has accepted conditional offer, awaiting medical clearance and references</i></p>
<p><i>Objective 5: To investigate available systems to support fraud work including data sharing and draft any related business case for development</i></p>	<ul style="list-style-type: none"> • <i>Meeting with IT provider 17.03.15 to discuss solutions</i> • <i>Networking to find out what solutions other Councils are using</i> • <i>Options appraisal report by 30.06.2015</i> 	<p><i>Senior Investigations Officer</i></p>	<p><i>Welfare and Debt advice Manager</i></p>	<p>30.09.2015</p>	<p><i>New system is in place to support fraud work</i></p>	<p><i>Meeting arranged with IT provider.</i></p>

	<ul style="list-style-type: none"> • <i>Business case by 31.07.2015</i> • <i>Implementation by 30.09.2015</i> 					
<p><u>Objective 6:</u></p> <p><u>Collaborative working partnerships</u></p> <p>Page 118</p>	<ul style="list-style-type: none"> • <i>Identify internal partners and arrange meetings by March 2015:</i> • <i>Meeting with CSC on 12.03.2015 SNC and at CDC on 01.04.2015</i> • <i>Housing Meetings to take place by the 30.04.2015</i> • <i>Housing Associations identified and meetings arranged by the 31.05.2015</i> 	<i>Senior Investigations Officer</i>	<i>Fraud Investigator, Revenues, Housing, Customer Services,</i>	31.05.2015	<i>Partnership working established</i>	<p><i>Meetings arranged with CDC and SNC Customer service.</i></p> <p><i>Contacted Housing at CDC and SNC to arrange attendance at team meetings.</i></p>
<i>Objective 7: Communications Plan</i>	<ul style="list-style-type: none"> • <i>Plan to be drafted</i> • <i>Agreement by JMT by the 30.06.2015</i> 	<i>Senior Investigations Officer</i>	<i>Welfare and Debt Advice Manager</i> <i>JMT</i>	30.06.2015	<i>Communication plan is in place and actioned</i>	

<p><i>Objective 8</i></p> <p><i>External Communication plan to increase fraud prevention and awareness</i></p>	<ul style="list-style-type: none"> <i>Plan in place and agreed by JMT by the 31.07.2015</i> 	<p><i>Senior Investigations Officer</i></p>	<p><i>Welfare and Debt Advice Manager</i></p> <p><i>JMT</i></p>	<p><i>31.07.2015</i></p>	<p><i>Communication plan is in place and actioned</i></p>	
<p><i>Objective 9</i></p> <p><i>Review Corporate Fraud Policies</i></p>	<ul style="list-style-type: none"> <i>Identify current Corporate Policies – March 2015</i> <i>Whistleblowing policy and Anti Fraud, Corruption and Bribery strategy to be reviewed and endorsed by 31.03.2015</i> <i>Codes of Conduct and ethics for Corporate Fraud Team to be drafted by 31.04.2015</i> <i>Anti-Bribery Policy to be reviewed by 31.04.2015</i> <i>Anti-Corruption Policy to be reviewed by 31.04.2015</i> <i>Pecuniary interests and conflicts of</i> 	<p><i>Senior Investigations Officer</i></p>	<p><i>Audit Committee</i></p> <p><i>Welfare and Debt Advice Manager</i></p>	<p><i>Audit Committee 18.3.15 for</i></p> <p><i>Audit Committee 25.6.15</i></p> <p><i>Audit Committee 17.9.15</i></p>	<p><i>Policies have been reviewed and endorsed</i></p>	<p><i>Whistleblowing policy and Anti-Fraud, Corruption and Bribery Policy reviewed March 2015</i></p>

	<p><i>interests policies and register to be reviewed by 31.05.2015</i></p> <p><i>Gifts and Hospitality policy and register to be reviewed by 31.05.2015</i></p>					
<p><i>Objective 10</i></p> <p><i>Establish Performance Targets</i></p>	<ul style="list-style-type: none"> <i>Targets to be established and agreed by 31.03.2015</i> <i>Monitor by corporate system</i> 	<p><i>Senior Fraud Investigator</i></p> <p><i>Welfare and Debt Advise Manager</i></p>	<p><i>Welfare and Debt Advise Manager</i></p>	<p><i>31.03.2015</i></p>	<p><i>Targets and in place and met</i></p>	<p><i>Targets have been established</i></p>
<p><i>Objective 11</i></p> <p><i>Data Sharing Opportunities to be investigated (including IT)</i></p>	<ul style="list-style-type: none"> <i>Access to HB/CTR systems at both councils by March 2015</i> <i>Access to electoral roll by March 2015</i> <i>Investigate data sharing barriers within the council and with external bodies to start September 2015</i> 	<p><i>Senior Investigations Officer,</i></p>	<p><i>Welfare and Debt Advise Manager</i></p>	<p><i>30.09.2015</i></p>		<p><i>HB/CTR system access achieved March 2015</i></p> <p><i>Access to electoral register granted in March 2015</i></p>

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	<ul style="list-style-type: none">• <i>Progress report by 31st October 2015</i>• <i>SLA's in place where needed</i>					
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**CHERWELL DISTRICT COUNCIL
& SOUTH NORTHAMPTONSHIRE COUNCIL
JOINT ANTI-FRAUD AND CORRUPTION & BRIBERY STRATEGY**

1. INTRODUCTION

- 1.1 Fraud is one of the fastest growing areas of crime in modern society and the residents and stakeholders of both districts have a right to expect that their public funds are secure and handled honestly. They also have a right to expect that their elected members and council employees are honest and that their integrity is above reproach. Any dishonest act reflects badly on both authorities and Local Government in general.
- 1.2 In administering a wide range of responsibilities and undertaking of many functions, both Councils' agree to take a firm stance against fraud and corruption with a commitment of an open and effective Joint Anti-Fraud, Corruption and Bribery Strategy designed to:-
- encourage prevention;
 - deter the would be fraudster;
 - promote detection;
 - and identify a clear pathway for investigation.
- 1.3 The Anti-Fraud, Corruption & Bribery Strategy supports the corporate priorities to preserve what is special, to protect the vulnerable, to encourage potential and to enhance performance.
- 1.4 Fraud, corruption and bribery are defined as:
- 1.4.1 **Fraud:** is the intentional distortion of financial statements or other records to conceal the misappropriation of assets or otherwise for gain. Areas within a council that may commonly encounter fraud are council tax, housing grants, creditor payments, cheques, stores, contracts and expense claims.
- 1.4.2 **Corruption or Bribery:** is the offering, giving, soliciting or accepting of an inducement or reward which may influence a person to act against the interests of a council. Areas within a council where corrupt practices might be found include the tendering and award of contracts, settlement of contractors' accounts, prejudicial interests of members, pecuniary interests of employees, canvassing for appointments, hospitality, pressure selling, the award of permissions and licences and the disposal of assets.

- 1.5 The Fraud Act 2006 represents a new way of investigating fraud. It is no longer necessary to prove a person has been deceived. The focus is now on the dishonest behavior of the suspect and their intent to make a gain or cause a loss.
- 1.6 The new offence of fraud can be committed in three ways;
- Fraud by false representation (s.2) – lying about something using any means e.g. by words or actions,
 - Fraud by failing to disclose (s.3) – not saying something when you have a legal duty to do so and:
 - Fraud by abuse of a position of trust (s.4) – abusing a position where there is an expectation to safeguard the financial interests of another person or organisation.
- 1.7 The Act also created four new offences of: -
- Possession of articles for use in fraud
 - Making or supplying articles for use in fraud
 - Obtaining services dishonestly
 - Participating in fraudulent business
- 1.8 Corruption in the public sector is an offence under the Prevention of Corruption Acts of 1889, 1906 and 1916. Areas of the Council where corrupt practices might be found include the tendering and award of contracts, settlement of contractors' accounts, prejudicial interests of Members, pecuniary interests of employees, canvassing for appointments, hospitality, pressure selling, the award of permissions and licences and the disposal of assets.
- 1.9.1 The Bribery Act 2010 gained Royal assent on the 8th April 2011 and creates a corporate offence of failure to prevent bribery, and requires the Council to implement adequate procedures to prevent bribery. Ministry of Justice Guidance in relation to the Bribery Act guidance was issued in March 2011 and this can be found at the following link:
<http://www.justice.gov.uk/guidance/making-and-reviewing-the-law/bribery.htm>
- 1.10 The Bribery Act introduces four offences:
- The offence of bribing another person – This can occur where a person offers, promises or gives a financial or other advantage to another individual to perform improperly a relevant function or activity, or to reward a person for the improper performance of such a function of activity. It is not an issue whether the person given the bribe is the same person who will perform the function or activity concerned.
 - The offence of being bribed – This is where a person receives or accepts a financial or other advantage to perform a function or activity improperly. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate benefit or not.

- Bribery of a foreign public official – This is where a person directly or through a third party offers, promises or gives any financial or other advantage to a foreign public official in an attempt to influence them as a public servant and to obtain or retain business, or any other related advantage in the conduct of business.
- A corporate offence of failure to prevent bribery – A commercial organisation could be guilty of bribery where a person associated with the organisation, such as an employee, agent or even sub-contractor, bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation.

1.11 **Money Laundering** is the process of moving illegally generated funds through a cycle of transformation in order to create the end appearance of legitimately acquired funds. There is a separate policy for dealing with money laundering.

1.12 This Joint Anti-Fraud, Corruption and Bribery Strategy is based on a series of comprehensive and interrelated procedures designed to frustrate any attempted fraudulent or corrupt act against either council. These cover:-

- Culture
- Deterrence
- Prevention
- Detection and Investigation
- Training

1.13 To achieve policy objectives and priorities, both Councils' must conserve and protect resources and reputation, so as to be able to achieve those objectives, and demonstrate openness, integrity and accountability to residents and taxpayers. Both Councils' accept that the degree of openness may be restricted by statutory or procedural requirements.

1.14 Both Councils' also expect that individuals and organisations (e.g. suppliers/contractors) with whom they comes into contact, will act towards them with integrity and without thought or actions involving fraud or corruption.

1.15 Both Councils' are also aware of the high degree of external scrutiny of their affairs by a variety of bodies including:-

- Local Government Ombudsman;
- External Auditor;
- The Public/Council Tax payers – Annual inspection of accounts;
- The Public/Service users – through the Council's complaints procedure;
- Central Government departments and Parliament;

- H.M. Revenues and Customs;
- Department of Work and Pensions;
- External Inspectorates.

1.16 This Joint Anti-Fraud, Corruption and Bribery Strategy also satisfies the legislative requirements to have effective arrangements for tackling fraud, and conforms to professional guidance laid down in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.

2. CULTURE

2.1 Both Councils' are determined that the culture of each organisation will continue to be one of honesty, openness and opposition to fraud and corruption.

2.2 The purpose of this policy is to also outline roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It applies to:-

- Councillors
- Employees
- agency staff
- contractors
- consultants
- suppliers
- service users
- staff and committee members of organisations funded by either council
- staff and principals of partner organisations

2.3 Members and employees of both authorities are important elements on the stance against fraud and corruption and they are positively encouraged to raise any concerns that they may have. They can do this in the knowledge that such concerns will be treated in confidence and properly investigated and fairly dealt with.

2.4 In furtherance of this both Councils' have in place a joint whistleblowing policy to ensure that all members and employees are able to follow a defined route to bring alleged instances of fraudulent, unlawful or otherwise improper conduct to attention. This can involve the Monitoring Officer, the Corporate Fraud Team, the employee's line manager or Head of Service or, if more appropriate, an officer external to the individual's department or even external to either Council (via Internal Audit which is provided via an outside firm). An individual will also have direct access to a member of the Senior Management Team if they feel that this is the most appropriate route to follow.

2.5 Members of the public are also able to report concerns to appropriate council officers or relevant external agencies such as the police and the Audit Commission.

2.6 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is occurring, or is likely to occur:-

- a criminal offence
- a failure to comply with a legal obligation
- improper/unauthorised use of public or other funds
- maladministration, misconduct or malpractice
- endangering of an individual's health and safety
- deliberate concealment of, or complicity in, any of the above

2.7 There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.

3. DETERRENCE

3.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts against either Council, and these include:-

- Publicising the fact that the Councils' are firmly set against fraud and corruption and state this at every appropriate opportunity, e.g. statements in contracts, at employee induction, and in publicity literature.
- Acting robustly and decisively when fraud and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and/or prosecution of offenders, press releases
- Taking action to maximise recoveries for either Council, e.g. through agreement, court action, penalties, insurance, etc. Where appropriate the Proceeds of Crime Act will be used to maximise the penalty suffered by the fraudster, and the level of recovery by either Council.
- Having sound internal control systems, that minimise the opportunity for fraud and corruption.

4. PREVENTION

4.1 Employees

4.1.1 It is recognised that fraud and corruption are costly, both in terms of reputational risk and financial losses. Both Councils' are aware that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard

temporary and agency employees should wherever practicable be treated in the same manner as permanent employees.

4.1.2 Employees are expected to follow any Code of Conduct related to their personal Professional Body (if any) and also to abide by the Councils' Code of Conduct for Officers. This Code is incorporated in every employee's contract of employment and is also dealt with as part of induction of new employees. Employees must operate within the requirements of s117 of the Local Government act 1972 and comply with their statutory obligations regarding pecuniary interests in contracts relating to either Council or fees and rewards other than proper remuneration. They are also required to complete positive declarations of any interests which they have which may conflict with the impartial performance of their duties.

4.1.3 **Managers** at all levels are responsible for the communication and implementation of this strategy and for ensuring that all of their employees are aware of the Financial Procedure Rules and other relevant constitutional requirements. Managers must strive to create an environment in which employees feel they are able to approach them with any concerns they may have relating to fraud or corruption. Managers must initially follow up any allegation of fraud or corruption that they receive. It is the responsibility of the Senior Management Team to communicate the Anti-Fraud, Corruption and Bribery Strategy to their staff and to promote a greater awareness of fraud within their departments.

4.1.4 **Members** are required to operate in accordance with:-

- National Code of Local Government Conduct
- Sections 95 – 96 of the Local Government Act 1972
- Local Authorities Members' Interest Regulations 1992
- Council Standing Orders and local codes of conduct

These matters are specifically brought to the attention of members when they are elected to office and include the declaration and registration of the interests that they are required by the Local Government Act 2000 and their Code of Conduct to register. Any complaints concerning alleged fraud or corruption by members would be dealt with by the Standards Committee on the advice of the Statutory Monitoring Officer which happens to be the Head of Law and Governance.

4.1.5 **Partners** should ensure that there are adequate arrangements in place to minimise fraud and corruption and protect the public funds they are spending on behalf of the either Council. All Partners have a duty to report any suspected fraud or corruption that relates to council funds to the Head of Finance and Procurement. Each Council will ensure that there are standard clauses in commercial contracts requiring compliance with the Bribery Act 2010.

5 GIFTS AND HOSPITALITY

5.1 The Bribery Act 2010 emphasises that any gifts and hospitality may be accepted where the offer is deemed proportionate. (SNC's procedure for gifts and hospitality offered to employees and members is contained within the Employee Handbook Section 5.12).

5.2 The acceptance of a gift, however modest, may arouse suspicion and needs to be capable of public justification. The question to be considered is whether acceptance is likely to raise reasonable doubts about the person's integrity.

5.3 The introduction to the Bribery Act (2010) Guidance provides the following foreword from the Secretary of State for Justice:

"Combating the risks of bribery is largely about common sense, not burdensome procedures. The core principle it sets out is proportionality. It also offers case study examples that help illuminate the application of the Act. Rest assured – no one wants to stop firms getting to know their clients by taking them to events like Wimbledon or the Grand Prix". (The Bribery Act 2010 – Guidance)

5.4 Offer of gifts from a contractor, consultant, supplier or other firm or person doing business with or receiving a service from the Council should, as a general rule, be declined. The only exceptions are:

- a. Small gifts of office equipment or stationery given by way of trade advertisements (e.g. calendars, diaries, inexpensive pens, etc.);
- b. Small gifts given on the conclusion of an official visit -these must be of only token value; and
- c. Gifts where the donor is a personal friend - extreme care must be taken in accepting gifts in this category and, if made to a member of staff, their manager must be informed if the gift is from a person doing business with the Council.

If a gift outside the above exceptions is received by a member of staff it must be handed over to the officer's Chief Officer to determine whether it should be returned to the donor.

These rules also apply where members of staff receive offers of discounts greater than those on general offer from firms.

5.5 Offers of hospitality should always be approached with caution. They must be refused where any suggestion of improper influence could be construed. They should only be accepted when reasonably incidental and on a scale appropriate to the circumstances.

5.6 Offers such as holiday accommodation are clearly unacceptable. Invitations to events such as sporting fixtures or the theatre are acceptable only when clearly required for the conduct of Council business. Particular care should be taken in dealing with contractors, developers, consultants, suppliers, and firms or persons in a comparable position.

Examples of acceptable hospitality include:

- official hospitality at a public function;
- modest refreshments following a site visit; and
- a modest working lunch where the parties discuss business

The decision to accept must depend on the scale of hospitality and the circumstances.

Invitations to attend receptions, luncheons, cocktail parties, etc. may be accepted provided that:

- a. where the member of staff is below second tier level, they first obtain the approval of their manager; and
- b. where the function is outside normal working hours, they obtain the approval of their Chief Officer.

5.7 The Chief Executive shall maintain a register of gifts, commercial sponsorship and hospitality.

6 SYSTEMS:

6.1 The Head of Finance and Procurement has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements of both Councils' financial affairs. Under the Accounts and Audit Regulations 2006 as amended by the Accounts and Audit Regulations (amendment) 2011 both Councils' are also required to maintain an adequate and effective internal audit of accounting records and control systems.

6.2 Effective managerial arrangements for the prevention of fraud and corruption are essential if risk is to be minimised. Internal control is the whole system of controls, financial and otherwise, to provide reasonable assurance of:-

- proper aims and objectives
- effective and efficient operations
- reliable management information and reporting
- compliance with laws and regulations
- safeguarding of assets

6.3 The system of internal control is reported annually in the Annual Governance Report which is signed by the Leader of the Council and the Chief Executive. This statement is audited on an annual basis.

6.4 Weaknesses in the design and operation of administrative and financial systems may increase the risk of fraud. Systems should contain efficient, effective and well documented internal controls. In particular systems should contain:-

- adequate separation of duties
- proper authorisation and approval procedures
- adequate physical security of assets
- reliable monitoring and reporting arrangements

6.5 Managers should take steps to protect and control computerised systems and be alert to their vulnerability. To prevent misuse of computers managers should ensure that there are:-

- adequate physical access controls
- adequate logical access controls
- adequate clerical controls
- adequate audit trails

Full advantage should be taken of new technology in order to provide effective management and financial information systems which highlight potential irregularities.

6.6 To help managers discharge their responsibilities, systems are subject to continuous review by External and Internal audit, both of which are available to offer advice on control.

6.7 **Internal Audit (PWC)** will apply a risk assessment process to all financial systems, and non-financial systems where assets are at risk. Particular regard will be given to the corporate and divisional risk registers.

6.8 **External Audit (Ernst & Young)** has specific responsibility for examining arrangements for the prevention, detection and investigation of fraud and corruption. They also review the activities of internal audit.

6.9 **Corporate fraud investigations are dealt with by the relevant team in the Finance Division. That team is charged with:-**

- **investigating suspected frauds, overclaims and errors**
- **making random checks on customers**
- **Supporting the recovery of debts raised through fraud.**

6.10 Careful consideration is given to the circumstances of each case of suspected fraud before a prosecution is initiated. Successful prosecutions will be publicised to deter fraud

6.11 In addition, insurance providers, (Zurich Municipal for both SNC and CDC), have an independent fraud and crime line, primarily to report on insurance fraud and anti social behaviour problems.

7 COMBINING WITH OTHERS

7.1 Arrangements are in place and continue to develop to encourage the exchange of information between both councils' and other agencies on national and local fraud and corruption activity in relation to Local Authorities.

7.2 These agencies include:-

- Police
- Department of Works and Pensions
- HM Customs and Excise
- Inland Revenue
- National Anti-Fraud Network

7.3 Employees, members and the public can also report fraud by contacting CDC and SNC's joint fraud hotline or Northamptonshire County Council Anti-Fraud Hotline (0800 731 6202). There is also Public Concern at Work (0207 404 6609) which is a registered charity whose services are free and strictly confidential.

8 DETECTION AND INVESTIGATION.

8.1 The array of preventative systems, particularly internal control systems within each council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

8.2 It is often the alertness of employees, members and the public to indicators of fraud and corruption that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.

8.3 Despite the best efforts of managers and auditors many frauds are discovered by chance or "tip-off". Both councils' have in place arrangements to enable such information to be properly dealt with.

8.4 Senior management are responsible for following up any allegation of fraud or corruption received and will do so by immediately informing the Chief Executive and the Head of Finance and Procurement as required by the Financial Procedure Rules.

8.5 The investigating officer, who may (depending on the circumstances) be internal or external, will:-

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact Internal Audit and/or the Benefits Investigation Manager, who will arrange for the allegation to be investigated and, where appropriate notify the Insurance Officer
- Implement the disciplinary procedures where appropriate

8.6 As previously mentioned, Senior Managers are required by the Financial Procedure Rules to report all suspected irregularities to the Head of Finance and Procurement and the Chief Executive. Reporting is essential to the Anti-Fraud, Corruption and Bribery Strategy and:-

- Ensures the consistent treatment of information regarding fraud and corruption.
- Ensures the proper implementation of a fraud response investigation plan.
- Facilitates proper investigation (involving where necessary an experienced audit team).

8.7 Depending on the nature and anticipated extent of the allegations, the relevant officers will normally work closely with Internal Audit and other agencies such as the police to ensure that all allegations and evidence are properly investigated and reported upon.

8.8 Disciplinary procedures will be used where the outcome of the investigation indicates improper behaviour. (Both Councils' have in place full and rigorous disciplinary procedures. Fraud and corruption are specific instances of gross misconduct and will therefore be treated accordingly).

8.9 Police are only made aware of and asked to independently investigate and (where applicable) prosecute offenders where financial impropriety is discovered. Referral to the Police is a matter for the Senior Management Team or an individual Elected Member (acting on the advice of at least one of these officers). Unless a member of the Senior Management Team is implicated in the matter concerned, no referral to the police will occur without the agreement of a Senior Management Team member.

8.10 Officers suspecting money laundering activities should follow the procedures set out in the Joint Money Laundering Avoidance Policy.

9. TRAINING

9.1 Both councils' recognise that the continuing success of the Joint Anti-Fraud, Corruption and Bribery Strategy depends largely on the effectiveness of programmed training and an awareness of members and employees throughout both organisations.

9.2 This will be achieved by:

- Including awareness of the strategy in induction training for new employees;
- Ensuring that managers and staff with the responsibility for the maintenance of systems of internal control are aware of their responsibilities and duties and that these are regularly re-enforced and updated;
- All staff are aware of the whistleblowing policy and the procedures it contains.
- Employee training will be complemented by training of members on induction and at regular intervals thereafter.

9.3 Both Councils' will use good management practices to ensure that such training and guidance is not ignored including, as a last resort, the possible use of disciplinary action.

10. ASSOCIATED DOCUMENTATION

10.1 The following is a list of documents that are closely associated with the Anti-Fraud, Corruption & Bribery Strategy. The documents are referred to or compliment this strategy and are reviewed on a rolling basis. The last review dates are indicated in each case.

- Joint Money-Laundering Avoidance Policy (January 2015)
- Joint Whistleblowing Policy (March 2015)
- Code of Conduct for Officers (CDC Oct 2012)
- Joint Disciplinary Procedures (March 2012)
- Constitution (May 2011)
- Financial Procedure Rules (Sept 2012)
- Members Local Code of Conduct (May 2009)
- Annual Governance Statement (June 2014)
- Risk Management Policy (January 2010)
- Internal Audit Annual Report (June 2014)

11. CONCLUSION

11.1 Both councils' have placed a clear network of systems and procedures to assist in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect the operation of either authority.

11.2 To this end, both councils' maintain a continuous overview of such arrangements.

11.3 This Policy Statement will be subject to review annually by the Resources Audit Committee to ensure its currency.

Sue Smith
Chief Executive
March 2015

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**CHERWELL DISTRICT COUNCIL AND
SOUTH NORTHAMPTONSHIRE COUNCIL**

WHISTLEBLOWING POLICY

It is important to know the difference between a 'Whistle blow' and a 'grievance.' A Whistle blow has a public interest aspect to it, as it puts at risk others. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the Grievance policy, not this policy. For example, a member of staff being formally interviewed on capability grounds, without previously having had any indication that their performance was not acceptable, may lead to a grievance complaint being made. Whilst a member of staff who observes colleagues sharing/selling confidential data that they have access to, to un-authorized others, should lead to a Whistle Blow.

1 Introduction

- 1.1 Employees are often the first to realise that there may be something seriously wrong within a local authority. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances employees may feel that it is easier to ignore the concern, rather than report what may just be a suspicion of malpractice.
- 1.2 Both Councils' are committed to the highest possible standards of openness, probity and accountability. In line with that commitment both Councils' encourage employees and others with serious concerns about any aspect of either Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis.
- 1.3 Whistle blowing is the term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organization's own reputation. For example instances of theft from the Council, accepting or offering a bribe, and failure by colleagues to adhere to Health & Safety directives could all be the subject of a Whistle blow.
- 1.4 Whilst there is no statutory requirement for the Council to have a Whistle blowing policy, the Government expects public bodies to have a policy in place and the Whistle blowing policies and procedures in local authorities are assessed regularly as part of their external audit and review. The Council is committed to the highest possible standards of openness, probity and accountability, and so has developed and endorsed this policy. In line with that commitment it expects and encourages employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.5 This policy document makes it clear that concerns can be raised without fear of victimisation, subsequent discrimination or disadvantage. This Whistle blowing policy is intended to encourage and enable employees to raise concerns within either Council in person, rather than overlooking a problem or using other methods to report concerns.
- 1.6 This policy applies to all employees, including casual and agency staff. Similar policies apply to suppliers and those contracted to provide services to either Council or on either Council's

behalf.

- 1.7 The Public Interest Disclosure Act 1998 protects Council employees who report concerns from subsequent harassment, victimisation and other unfair treatment. Potential informants should feel reassured that it is illegal for either Council to consider any action against them should their concerns not prove to be verifiable.
- 1.8 Finally, and importantly, regulators and the courts are increasingly looking at the adequacy of Whistle blowing arrangements to determine whether an offence has been committed by an organization under regulatory or criminal laws, for example banks manipulating the libor rate or cases of corporate manslaughter where Health & Safety procedures have not been followed. The effectiveness of the arrangements is a factor that the courts and regulators consider when determining the level of any fine or penalty.

2 Aims And Scope Of This Policy

2.1 This policy aims to:-

- encourage employees to feel confident in raising serious concerns that they may have about practices and procedures
- provide avenues to raise those concerns and receive feedback on any action taken
- allow employees to take the matter further if they are dissatisfied with the Council's response
- reassure employees that they will be protected from possible reprisals or victimisation if they have made any disclosure in good faith

2.2 Areas covered by the Whistle Blowing Policy include:-

- criminal or other misconduct
- breaches of the Council's Standing Orders or Financial Regulations
- contravention of the Council's accepted standards, policies or procedures
- disclosures relating to miscarriages of justice
- health and safety risks
- damage to the environment
- unauthorised use of public funds
- fraud, bribery and corruption
- sexual, physical and/or verbal abuse of any person or group
- other unethical conduct
- the concealment of any of the above

2.3 Any concerns about any aspect of service provision or the conduct of officers of either Council, or others acting on behalf of either Council, can be reported under the Whistle blowing policy

2.4 Management should be the first to know of any issues that they may need to address. These may be able to be dealt with internally. This means that the costs of investigating any concerns, such as fraud, are reduced as problems can be caught quickly. The time and resources saved mean that a Whistle blowing policy can act as a cost-effective early warning system for the Council.

3 Safeguards Against Harassment Or Victimisation

- 3.1 Both Councils' recognise that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. However, neither Council will tolerate any form of harassment or victimisation, and will take appropriate action to protect employees who raise a concern in good faith.
- 3.2 Both Council's have policies on Personal Harassment & Bullying at Work, which are designed to protect employees from all forms of harassment in the workplace.
- 3.3 Both Council's are committed to good practice and high standards and endeavours to be supportive of its employees.
- 3.4 In all cases, the provisions of The Public Interest Disclosure Act (PIDA) will be adhered to.
- 3.5 The Enterprise & Regulatory Reform Act (ERRA) received Royal Assent on 25/04/13, and introduces a Public Interest test requirement on Whistleblowers. In order to receive the protection of PIDA, whistleblowers will now have to show that they reasonably believed that the disclosure they are making is in the Public Interest. The ERRA comes into force on 25/06/13 and affects disclosures made after that date onwards. Further information on the ERRA can be found at www.legislation.gov.uk

4 Confidentiality

- 4.1 All concerns will be treated in confidence and the identity of the employee raising the concern will not be revealed without his or her consent (subject to any legal requirements or decisions). At the appropriate time, however, the employee may be expected to come forward as a witness.

5 Anonymous Allegations

- 5.1 Employees' concerns expressed anonymously, for example via the **Fraud Hotline** or by letter, are likely to be difficult to deal with effectively. Consequently, employees are encouraged to put their name to any allegation and receive the protection of PIDA. However both Councils recognise that on occasion employees might feel that they could only come forward anonymously and the fraud hotline acts as an appropriate avenue for such situations.
- 5.2 Any action taken in response to an anonymous allegation will be influenced by factors including the seriousness of the issues raised and the likelihood of confirming the allegation from reliable sources.

6 Untrue Allegations & Legal Protection

- 6.1 If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the employee making the allegation. If, however, an allegation is made that is fictitious, malicious or for personal gain, action may be taken against the employee in accordance with either Council's Disciplinary Procedure.
- 6.2 As an employee of either Council you are also given legal protection by the Public Interest Disclosure Act 1998. If you make what is known as a "qualifying disclosure" under the 1998 Act to your employer or certain other persons/bodies, and you act reasonably and in good

faith, it will be unlawful for either Council to subject you to any detriment (such as denial of promotion or withdrawal of a training opportunity), or to dismiss you, because of the disclosure.

- 6.3 Compensation may be awarded to you by an Employment Tribunal if either Council breaches the 1998 Act, following a successful claim for 'detrimental treatment'.

7 How To Raise A Concern

7.1 Employees should normally raise concerns in the first instance with their Line Manager. Alternatively, dependent upon the nature, seriousness and sensitivity of the issues involved and the person suspected of malpractice, the matter may be raised with the Senior Management Team, Senior Corporate Fraud Investigator, Internal Audit or the External Auditor.

7.2 Concerns may be raised verbally or in writing. Employees who wish to raise a concern should provide details of the nature of the concern or allegation and its background, including relevant dates. The detail should be sufficient to demonstrate reasonable grounds for concern, although proof beyond doubt of an allegation is not expected at this stage. The earlier a concern is expressed, the easier it is to take action.

7.3 Employees may be represented and/or accompanied by a trade union, professional association, other representative or a friend throughout the process and during any meetings or interviews in connection with the concerns that have been raised.

7.4 Employees who would like to obtain free advice about the concern they have should contact the National Audit Office who deals with fraud and corruption in Local Government, as well as general conduct concerns. They can be telephoned on 020 7798 7999 or written to at The Controller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP. There is also guidance on their website (<http://www.nao.org.uk/contact-us/whistleblowing-disclosures/>). In addition, the Directgov website (www.direct.gov.uk) offers useful information and guidance on Whistle blowing.

8 How The Councils Will Respond

8.1 Matters raised under this policy should be investigated by the Investigation Manager (IM), unless they are involved in the allegation, in which case, an external investigator will look into the matter. When conducting the investigation the IM may involve:-

- the Corporate Fraud Investigation team
- Internal Audit
- Legal & Democratic Services
- Human Resources
- the Police
- an external auditor
- an independent inquiry

Alternatively, a disciplinary investigation may be the more appropriate course of action to take, in which case, the IM will advise Human Resources. In addition

- 8.2 In order to protect individuals and those accused of misconduct or malpractice, the IM will make initial enquiries to decide whether an investigation is appropriate and, if so, what form it should take, having regard to the law and the public interest.
- 8.3 Some concerns may be resolved by agreed action without the need for investigation. It may be necessary to take urgent action before any investigation is completed.
- 8.4 The Officer with whom the concern has been raised under paragraph 7.1 will respond in writing within ten working days
- acknowledging that the concern has been received
 - indicating how it is proposed to deal with the matter
 - giving an estimate of how long it will take to provide final feedback
 - stating whether any initial enquiries have been made
 - supplying information on what staff support is available , and
 - stating whether further investigations will take place and if not, why not.
- 8.5 Both Councils will take steps to minimise any difficulties that the employee may experience as a result of raising a concern. For instance, if he or she is required to give evidence in criminal or disciplinary proceedings either Council will arrange for advice to be given about the procedure (but not about what answers to give).
- 8.6 Both Councils accept that employees need to be assured that the matter has been properly addressed. Subject to legal constraints, either Council will inform the employee of the progress and outcome of any investigation.
- 8.7 It is important for employees to understand that making a whistle blowing allegation doesn't give them anonymity, but does give them protection from harassment or victimisation.

9 The Responsible Officer

- 9.1 The Chief Executive has overall responsibility for the maintenance and operation of this policy, and will maintain a record of concerns raised and the outcomes. This record will be in a form which does not compromise confidentiality. The Chief Executive will report as necessary to both Councils.

10 How The Matter Can Be Taken Further

- 10.1 This policy is intended to provide a process within Cherwell District and South Northamptonshire Councils, through which employees may raise concerns. If at the conclusion of this process the employee is not satisfied with any action taken or feels that the action taken is inappropriate, the following are suggested as further referral points:
- the external auditor
 - a trade union
 - a relevant professional body or regulatory organisation
 - the police
 - organisations prescribed from time to time by the Secretary of State for the purpose of protected disclosure under the Public Interest Disclosure Act.

Referral of any matter outside either Council must not compromise confidentiality. Employees should check this with the organisation being sent the referral.

11 Associated Documents

11.1 The following is a list of documents that are closely associated with the Whistle Blowing Policy. The documents are referred to or complement this strategy and are reviewed on a rolling basis.

- Anti Money-Laundering Policy
- Anti-Fraud, Corruption and Bribery Strategy
- Code of Conduct for Officers
- Disciplinary Procedures
- Constitution
- Financial Procedure Rules
- Annual Governance Statement
- Risk Management Policy
- Internal Audit Strategy

Date	Audit Committee - Agenda items
25 March	External Audit Progress Report and Annual Plan
	Internal Audit Progress Report
	Accounts Closedown update
	Corporate Risk Register Q3
	Corporate Fraud Team
24 June	External Audit Progress Report
	Internal Audit Progress Report and Annual Plan
	Anti Fraud and Corruption Strategy and Whistle Blowing Update
	Corporate Risk Register Annual Report
	Treasury Management Annual Report
	Statement of Accounts Review
	Annual Governance Statement Approval
23 Sept	External Audit Progress Report and Annual Results Report
	Internal Audit Progress Report
	Anti Fraud and Corruption Strategy and Whistle Blowing Update
	Statement of Accounts Approval
	Corporate Risk Strategy and Risk Register Q1
	Treasury Management Q1
2 Dec	External Audit Progress Report and Annual Audit Letter
	Internal Audit Progress Report
	Anti Fraud and Corruption Strategy and Whistle Blowing Update
	Corporate Risk Register Q2
	Treasury Management Q2
	Treasury Management Strategy
20 Jan	External Audit Progress Report and Annual Certification of Grants Claims
	Internal Audit Progress Report
	Anti Fraud and Corruption Strategy and Whistle Blowing Update
23 March	External Audit Progress Report and Audit Plan
	Internal Audit Progress Report and Audit Plan
	Anti Fraud and Corruption Strategy and Whistle Blowing Update
	Corporate Risk Register Q3
	Treasury Management Q3

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