

Public Document Pack



Committee: Accounts, Audit and Risk Committee
Date: Thursday 30 June 2016
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Mike Kerford-Byrnes (Chairman)	Councillor Ian Corkin (Vice-Chairman)
Councillor Hugo Brown	Councillor Sean Gaul
Councillor Nigel Randall	Councillor Barry Richards
Councillor Tom Wallis	Councillor Sean Woodcock

AGENDA

1. **Apologies for Absence and Notification of Substitute Members**
2. **Declarations of Interest**

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

3. **Petitions and Requests to Address the Meeting**

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

4. **Urgent Business**

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

5. **Minutes** (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 23 March 2016 and 17 May 2016.

6. **Chairman's Announcements**

To receive communications from the Chairman.

7. **External Audit: Progress Update 2015/16** (Pages 7 - 24)

Report of Chief Finance Officer

Purpose of report

To receive Ernst Young's report briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17.

Recommendations

The meeting is recommended:

- 1.1 To note the briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17 from Ernst Young.

8. **External Audit Letter to the Committee** (Pages 25 - 34)

Report of Chief Finance Officer

Purpose of report

To inform members of the response to the Ernst Young letter to the Chairman of this Committee.

Recommendations

The meeting is recommended:

- 1.1 To approve the response to external audit's request for management assurances from Those Charged With Governance (Appendix 1).

9. **Internal Audit - Annual Report for 2015/16, Progress Report 2016/17 and Internal Audit Charter** (Pages 35 - 80)

Report of Chief Finance Officer

Purpose of report

To receive PwC's annual report for 2015/16 and progress report summarising their internal audit work for 2015/16 and for 2016/17 to date and the Internal Audit Charter.

Recommendations

The meeting is recommended:

- 1.1 To note the 2015/16 annual report.

1.2 To note the 2016/17 progress report.

1.3 To note the Internal Audit Charter.

10. Corporate Fraud Team Update (Pages 81 - 140)

Report of Chief Finance Officer

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team including an end of year report for 2015-2016 and a new business plan for 2016-2017 and to ask members to endorse the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies which have been reviewed and to endorse the new Fraud Response Plan Policy.

Recommendations

The meeting is recommended:

1.1 To note the contents of the report including the end of year report and the new business plan for 2016-2017.

1.2 To endorse the policy changes and the new Fraud Response Plan.

11. Fourth Quarter Risk Review 2015/16 and 2016/17 Shared Risk & Opportunities Management Strategy (Pages 141 - 178)

Report of Director - Strategy and Commissioning

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the fourth and final quarter of 2015/16; to present the 2016/17 Risk & Opportunities Management Strategy review; and to provide an update on the Risk Training programme.

Recommendations

The meeting is recommended:

1.1 To review the quarter four Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration or referral to Executive.

1.2 To note the revised Risk and Opportunities Management Strategy for 2016/17.

12. Q4 Treasury Management Report (Pages 179 - 184)

**** Please note the appendices to this report are exempt. Exempt Appendix 2 will follow as it is currently being reviewed and finalised ****

Report of Chief Finance Officer

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2015/16 as required by the Treasury Management Code of Practice.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the final Quarter Treasury Management Report.
- 1.2 To note the contents of the Icelandic redemption (exempt Appendix 2).

13. Annual Governance Statement 2015/16 (Pages 185 - 188)

****Appendix 1 to this report will follow as it is currently being reviewed and finalised ****

Report of the Chief Finance Officer

Purpose of report

To report the Annual Governance Statement. The Annual Governance Statement will be considered at the same time as the Statement of Accounts for 2015/16.

Recommendations

The Committee is recommended:

- 1.1 to consider and endorse the Annual Governance Statement 2015/16 (Appendix 1 to follow).

14. Statement of Accounts 2015/16

**** The report and appendices for this item will follow as they are currently being reviewed and finalised ****

Report of Chief Finance Officer

Purpose of report

To consider and endorse the pre-audit Statement of Accounts for 2015-16.

15. Review of Committee Work Programme (Pages 189 - 190)

To review and note the Committee Work Programme.

16. Exclusion of Press and Public

The following reports contain exempt information as defined in the following paragraph of Part 1, Schedule 12A of Local Government Act 1972.

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

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

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

17. Q4 Treasury Management Report - Exempt Appendix 1 and 2 (Pages 191 - 192)

** Exempt Appendix 2 will follow as it is currently being reviewed and finalised **

18. Finance Improvement Plan - Update (Pages 193 - 196)

** The appendix to this report will follow as it is currently being reviewed and finalised **

Exempt Report of Chief Finance Officer

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 22 June 2016

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 23 March 2016 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)

Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Barry Richards

Apologies for absence: Councillor Rose Stratford
Councillor Colin Clarke
Councillor Lawrie Stratford

Officers: Paul Sutton, Chief Finance Officer / Section 151 Officer
George Hill, Corporate Finance Manager
James Doble, Democratic and Elections Manager
Belinda Green, Welfare and Debt Advice Manager
Louise Tustian, Senior Performance and Improvement Officer
Neil Harris, Ernst and Young
Cathy O'Carroll, Ernst and Young
Ed Cooke, PWC
Lucy Fenton, PWC

63 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

65 **Urgent Business**

There were no items of urgent business.

66 **Minutes**

The Minutes of the meeting of the Committee held on 20 January 2016 were agreed as a correct record and signed by the Chairman.

67 **Chairman's Announcements**

There were no Chairman's announcements.

68 **Third Quarter Risk Review 2015-16 and update on Development of Risk & Opportunities Management Strategy**

The Committee considered a report of the Head of Transformation which provided an update on the management of Strategic, Corporate and Partnership risks during the third quarter of 2015/16 and to report the progress made on the 2015/16 Risk & Opportunities Management Strategy review and Risk Training programme.

Resolved

- (1) That the quarter three Strategic, Corporate and Partnership Risk Register be noted and no issues be identified for further consideration or referral to Executive.
- (2) That it be noted that there have been changes to four common risks' scores: two increases and two decreases.
- (3) That the progress made on the 2015/16 Risk and Opportunities Management Strategy review and the Risk Training programme be noted.

69 **Corporate Fraud Team Update**

The Committee considered a report of the Head of Finance and Procurement which provided an update on the joint Corporate Fraud team and sought consideration and endorsement of the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies which had been reviewed. The report also sought consideration and endorsement of the new Fraud Response Plan Policy.

Resolved

- (1) That the report be noted.
- (2) That the policy changes to the Joint Whistleblowing Policy and the Anti-Fraud and Anti-Corruption Strategy and the new Fraud Response Policy be endorsed.

70 **External Audit: Certification of Claims 2014/15 and Annual Audit Plan 2015/16**

The Committee considered a report of the Head of Finance and Procurement which presented the council's external auditor, Ernst Young's report setting out external audit's Annual Audit Plan for the financial year 2015/16.

Resolved

- (1) That the Ernst Young reports on the Annual Audit Plan 2015/16 and Certification of Claims 2014/15 be noted.

71 **Internal Audit Progress Report 2015/16, Annual Plan 2016/17 and Internal Audit Charter**

The Committee considered a report of the Head of Finance and Procurement which presented the councils internal auditor, PwC's progress report summarising their internal audit work to date, the Draft Internal Audit Plan for next year and the draft Internal Audit Charter.

Resolved

- (1) That the 2015/16 internal audit progress report be noted.
- (2) That the 2016/17 Draft Internal Audit Plan be noted.
- (3) That the Internal Audit Charter be noted.

72 **Q3 Treasury Management Report**

The Committee considered a report of the Head of Finance and Procurement which presented information on treasury management performance and compliance with treasury management policy for 2015/16 for Quarter 3 as required by the Treasury Management Code of Practice.

Resolved

- (1) That the Quarter 3 (Q3) Treasury Management Report be noted.

73 **Closedown Update 2015/16**

The Committee considered a report of the Head of Finance and Procurement which informed Members of the progress which had been made towards the preparation of the Council's annual Statement of Accounts and sought consideration of the proposed summary timetable for production.

Resolved

- (1) That the summary closedown timetable be noted.

74 **Review of Work Programme 2016/17**

The Committee considered the proposed work programme for 2016/17.

Resolved

- (1) That the proposed work programme for 2016/17 be noted.

75 **Exclusion of the Press and Public**

Resolved

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

76 **Q3 Treasury Management Report - Exempt Appendix**

Resolved

- (1) That the exempt appendix be noted.

77 **Finance Improvement Plan**

The Committee considered an exempt report of the Head of Finance and Procurement which presented the Finance Improvement Plan, which was an outcome of the KPMG Review of NNDR Overpayment report adopted by the Committee on 20 January 2016.

Resolved

- (1) That the Finance Improvement Plan (exempt annex to the Minutes as set out in the Minute Book) be noted.

The meeting ended at 8.10 pm

Chairman:

Date:

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 17 May 2016 at 7.16 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)
Councillor Ian Corkin (Vice-Chairman)

Councillor Hugo Brown
Councillor Sean Gaul
Councillor Nigel Randall
Councillor Barry Richards
Councillor Sean Woodcock

Apologies for absence: Councillor Tom Wallis

1 Appointment of Chairman for the Municipal Year 2016-2017

Resolved

That Councillor Mike Kerford-Byrnes be appointed Chairman of the Accounts, Audit and Risk Committee for the Municipal Year 2016-2017.

2 Appointment of Vice-Chairman for the Municipal Year 2016-2017

Resolved

That Councillor Ian Corkin be appointed Vice-Chairman of the Accounts, Audit and Risk Committee for the Municipal Year 2016-2017.

The meeting ended at 7.18 pm

Chairman:

Date:

This page is intentionally left blank

Cherwell District Council

Accounts Audit and Risk Committee

30 June 2016

External Audit: Progress Update 2015/16
--

Report of Chief Finance Officer

This report is public

Purpose of report

To receive Ernst Young's report briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17 from Ernst Young.

2.0 Introduction

- 2.1 The briefing report, at appendix 1, sets out the Value for Money audit by Ernst Young relating to the Code of Audit Practice 2015.
- 2.2 The Council Annual fee letter 2016/17, at appendix 2, set out the fees for 2016/17.

3.0 Report Details

- 3.1 Ernst Young have provided an a briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17.

4.0 Conclusion and Reasons for Recommendations

- 4.1 For the audit committee to note the briefing on Value for Money audit 2015 and fee letter 2016/17.

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:

George Hill, Corporate Finance Manager, 01295 221731

george.hill@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 management issues arising directly from this report

Comments checked by:

Ed Bailey, Corporate Performance Manager, 01295 221605

edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 7.4 There are no equality and diversity issues arising directly from this report

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

caroline.french@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	Value for Money audit – Code of Audit Practice 2015
Appendix 2	Council Annual fee letter 2016/17
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.sutton@cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

Value for Money

Code of Audit Practice 2015

Cherwell District Council

June 2016

Page 11



Building a better
working world

Background

- ▶ Requirement of Local Audit & Accountability Act 2014 Section 21(1)
- ▶ NAO Code of Audit Practice 2015 implies 'reasonable assurance'
 - ▶ Need to plan and conduct risk assessment
 - ▶ Undertake sufficient work against any identified 'significant' risks

Overall Criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people

Sub-criteria and proper arrangements

Sub-Criteria	Proper Arrangements
Informed decision making	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
Working with partners and other third parties	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

Auditor's risk assessment

- ▶ Risk that the auditor will reach an incorrect conclusion on the arrangements (*as opposed to the risk that arrangements are inadequate*)
- ▶ Performed to determine nature and extent of any further work
- ▶ Undertaken only on significant risks
 - ▶ *A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects*

Auditor's risk assessment (2)

- ▶ Documented from, e.g:
 - ▶ Review of prior year auditors file, report and in future cumulative knowledge
 - ▶ Findings from other areas of the audit
 - ▶ Findings of other inspectorates/regulatory bodies
 - ▶ IA reports
 - ▶ AGS / Annual Report
 - ▶ Risk Registers
 - ▶ Board/Committee/Finance and Performance agenda papers and minutes
 - ▶ Key financial information and reports
 - ▶ Wider knowledge of the sector and developments.
 - ▶ NAO illustrative risks

Work undertaken

- ▶ Proportionate
- ▶ To a level sufficient to be clear on the conclusion, and reduce the initial audit risk

Reporting

- ▶ Audit Plan – risk assessment
- ▶ ISA260 – completion of fieldwork, results of work and proposed conclusion
- ▶ Auditor's report – conclusion (by exception)
- ▶ Also may need to consider wider reporting arrangements

Qualified Conclusions

Adverse

- ▶ Weakness in arrangements:
 - ▶ So significant in impact; or
 - ▶ So numerous in aspects of proper arrangements affected

Except for

- ▶ Weaknesses:
 - ▶ Sufficiently significant to report
 - ▶ Limited to specific issue or area
- ▶ Reporting: Concise summary of the information leading to that conclusion

Information Sources

Item	Location
Local Audit & Accountability Act 2014	http://www.legislation.gov.uk/
NAO	http://www.nao.org.uk/
Code of Audit Practice	http://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf
Guidance and information for auditors	https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

Sue Smith
Chief Executive
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

7 April 2016

Email: NHarris2@uk.ey.com

Direct line: 01223 394459

Dear Sue

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Cherwell District Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts

For Cherwell District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;

- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	52,127	52,127	76,208
Certification of housing benefit subsidy claim	12,495	8,844	16,660
Elector's question	n/a	n/a	1356

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

The Code audit fee for 2014/15 includes a scale fee variation (SFV), approved by the PSAA, of £6,705 for the work on group accounts. A further SFV of £1,356 was approved for responding to an elector's questions.

The additional work on group accounts is not covered by the PSAA scale fee and will be subject to SFVs in 2015/16 and 2016/17. The final amount of the SFVs will depend on the value of group transactions for the year.

Billing

The indicative audit and certification fee will be billed in 4 quarterly instalments of £16,156.

Audit plan

Our plan is expected to be/will be issued in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Finance and Procurement and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Accounts and Risk Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Neil Harris
Executive Director

Nharris2@uk.ey.com

Tel: 01223 394459

Cathy O'Carroll
Manager

Cocarroll@uk.ey.com

Tel: 07967 624334

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours faithfully



Neil Harris
Executive Director
For and on behalf of Ernst & Young LLP

cc. Martin Henry, Director of Resources
Paul Sutton, Head of Finance and Procurement
Councillor Mike Kerford-Byrnes, Chairman of the Audit Accounts and Risk Committee

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

30 June 2016

External Audit Letter to the Committee

Report of the Chief Finance Officer

This report is public

Purpose of report

To inform members of the response to the Ernst Young letter to the Chairman of this Committee.

1.0 Recommendations

The meeting is recommended:

- 1.1 To approve the response to external audit's request for management assurances from Those Charged With Governance (Appendix 1).

2.0 Introduction

This report is to inform members of the response to the External Audit letter to this Committee.

3.0 Report Details

- 3.1 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.
- 3.2 The response to these questions is contained in Appendix 1. 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 response to the external audit letter is a requirement of the regulations.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:
George Hill, Corporate Finance Manager
george.hill@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 and Governance, 0300 0030107
Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Implications

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

Comments checked by:
Ed Bailey, Corporate Performance Manager, 01295 221605
edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

7.4 There are no equality and diversity implications from this report.

Comments checked by:
Caroline French, Corporate Policy Officer, 01295 221586
caroline.french@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	Those Charged With Governance's response to external audit's request for management assurances
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

Finance & Procurement

Paul Sutton – Head of Finance & Procurement



DISTRICT COUNCIL
NORTH OXFORDSHIRE

Neil Harris
Executive Director
Ernst Young LLP

*Bodicote House
Bodicote
Banbury
Oxfordshire
OX15 4AA*

www.cherwell.gov.uk

Please ask for: Paul Sutton

Direct Dial: 03000 030 0106

Email: Paul.Sutton@cherwellandsouthnorthants.gov.uk

Our Ref: DT/PS

Dear Neil

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

I refer to your letter of 2 March, 2016. 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 bold.

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 Chief Finance Officer, Internal Audit and, to a lesser extent External Audit, to report to them or to me as committee chairman if fraudulent activity has been uncovered. I am confident that all significant 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 2015/16 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 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 deputy s151 officer whether any further action has been 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 Overview 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 2015/16.
- 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 it. 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 behaviour (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 Monitoring Officer and, when required, the Standards Committee.

A new employee code of conduct was introduced in 2015/16 requiring employees to notify all relevant personal interests to their Head of Service/Director. Completed declaration forms are accessible by the Chief Executive, the section 151 officer and the Monitoring Officer.

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 2015/16 will be presented to the Accounts, Audit & Risk Committee in June 2016.

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 2015/16, the audit plan was approved by the Committee in March 15. The 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 2015/16?

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 2015/16 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 2015/16?

The authority has a statutory S151 officer (Head of Finance and Procurement) 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 have been no instances of non-compliance 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?

The committee is not aware of any potential claims as at 15 April 2016, but will continue to receive an update on any potential 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 30 June 2016.

Yours sincerely

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

Cherwell District Council

Accounts Audit and Risk Committee

30 June 2016

<p>Internal Audit – Annual Report for 2015/16, Progress Report 2016/17 and Internal Audit Charter</p>
--

Report of Chief Finance Officer

This report is public

Purpose of report

To receive PwC's annual report for 2015/16 and progress report summarising their internal audit work for 2015/16 and for 2016/17 to date and the Internal Audit Charter.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the 2015/16 annual report.
- 1.2 To note the 2016/17 progress report.
- 1.3 To note the Internal Audit Charter.

2.0 Introduction

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

3.0 Report Details

- 3.1 Internal Audit completed their planned work programme for 2015/16 (Appendix 1).
- 3.2 Internal Audit is on track to deliver its planned programme of work for the 2016/17 year (Appendix 2).
- 3.3 The Internal Audit Charter provides the framework for the conduct of the Internal Audit function in Cherwell District Council and has been approved by the Accounts, Audit and Risk Committee.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The annual report and progress report summarise 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:

George Hill, Corporate Finance Manager, 01295 221731

george.hill@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 management issues arising directly from this report

Comments checked by:

Ed Bailey, Corporate Performance Manager, 01295 221605

edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 7.4 There are no equality and diversity issues arising directly from this report

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

caroline.french@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 Annual Report for 2015/16
Appendix 2	PwC Progress Report 2016/17
Appendix 3	Internal Audit Charter
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

Internal Audit Annual Report 2015/2016

**Cherwell District
Council**

June 2016

Contents

1. Executive summary	1
2. Summary of findings	3
3. Internal Audit work conducted	4
4. Follow up work conducted	7
<hr/>	
Appendices	8
Appendix 1: Limitations and responsibilities	9
Appendix 2: Opinion types	10
Appendix 3: Basis of our classifications	11
Appendix 3: Performance of internal audit	13

Distribution List

For action and information:	Paul Sutton – Chief Finance Officer and S151 Officer
	Joint Management Team
	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. Executive summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2016.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Accounts, Audit and Risk Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Accounts, Audit and Risk Committee agreed to a level of internal audit input of £47,355.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Opinion

Our opinion is as follows:

Satisfactory	Generally satisfactory with some improvements required	Major improvement required	Unsatisfactory
--------------	---	----------------------------	----------------

Defined as:

- Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or
- High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and
- None of the individual assignment reports have an overall classification of critical risk.

Implications of conclusion:

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Please see our Summary of Findings in Section 2.

An explanation of all the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.

- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- The proportion of the organisation's audit needs have been covered to date.
- Any reliance that is placed upon third party assurances.

The commentary below provides the context for our opinion and should be read together with the opinion in its entirety.

Commentary

The key factors that contributed to our opinion are summarised as follows:

- No pervasive high or critical risk findings individually or in aggregate per report rating.
- All findings were generally medium or low risk rating.

There was also an investigation and report issued by KPMG in relation to weaknesses identified at the Council about an historical issue over collectability of its NNDR income, resulting in a Joint Finance Improvement Plan that has been put in place at both Cherwell and South Northants councils.

We undertook two additional pieces of work, focussed on the council's reconciliations and specific process around income/accounting debtors and aged debt, and found no additional matters that were not previously identified by the earlier report that indicate any further significant breakdown in council controls and processes.

We also note:

- a similar level of medium risk issues and the relatively low (albeit somewhat increased) low level risk findings raised; and
- the generally positive position on implementation of previous year's recommendations.

Please see sections two to four of this report.

Acknowledgement

We would like to take this opportunity to thank Cherwell District Council staff, for their co-operation and assistance provided during the year.

2. Summary of findings

Our annual internal audit report is timed to inform the Council's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

<i>Description</i>	<i>Detail</i>
<p>Overview</p> <p>We completed 8 internal audit reviews. This resulted in the identification of 34 findings to improve weaknesses in the design of controls and / or operating effectiveness. Refer to section 3 of this report for further details.</p>	<p>In addition we have carried out the following value enhancement/specialist reviews and additional pieces of work where no risk rating has been provided.</p> <ul style="list-style-type: none"> • Year-end finance support • Risk Management training <p>We also delivered additional reviews, following a request by management, in relation to report issued by KPMG that was specific to Cherwell District Council and has resulted in a Joint Finance Improvement Plan that has been implemented across both councils.</p> <p>These reviews were in relation to:</p> <ul style="list-style-type: none"> • Council reconciliations • Income/accounting debtors and aged debt monitoring
<p>Internal Control Issues</p> <p>During the course of our work we identified no pervasive high or critical risk weaknesses that we consider should be reported in the Council's Annual Governance Statement. Please refer to other weaknesses section below.</p>	
<p>Other weaknesses</p> <p>Other weaknesses were identified within the organisation's governance, risk management and control, which relate to findings identified from the KPMG review undertaken at Cherwell District Council that has resulted in a Joint Finance Improvement Plan.</p>	<p>A Joint Finance Improvement Plan has been developed as a result of this report and the council should consider where relevant what is included and disclosed within its 2015/16 annual governance statement.</p> <p>We undertook two additional reviews in relation to this and given the scopes agreed for these reviews, found that there were no additional significant control findings that had not been raised by the KPMG report and addressed through the Joint Finance Improvement Plan developed.</p>
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p>The following reviews were classified as low risk reports with mostly low risks findings and limited medium risk findings (if any):</p> <ul style="list-style-type: none"> • Creditors • Housing Benefit • Joint Working

3. Internal Audit work conducted

Introduction

The table below sets out the results of our internal audit work and implications for next year's plan.

We also include a comparison between planned internal audit activity and actual activity.

Results of individual assignments

Review	Report classification	Number of findings			
	Status	Critical	High	Medium	Low
Finance - Creditors	Low Final	0	0	0	4
Finance - Debtors	Medium Draft	0	0	1	6
Finance - Payroll	Medium Final	0	0	2	1
Finance – Housing Benefit	Low Final	0	0	1	1
Finance – Collection Fund	Medium Draft	0	0	2	4
Risk Management	Medium Draft	0	0	1	4
Joint Working	Low Draft	0	0	0	3
Programme Assurance / New IT System (Combined Review)	Medium Draft	0	1	1	2
	Total	0	1	8	25

In addition we have carried out the following value enhancement reviews and additional pieces of work where no risk rating has been provided.

- Year-end finance support
- Risk Management training

We also delivered additional reviews, following request by management, in relation to a report issued by KPMG that was specific to Cherwell and resulted in a Joint Finance Improvement Plan that has been developed and implemented. These are to be billed separately.

These were in relation to:

- Council reconciliations (Draft, Medium Risk, 9 low risk findings)
- Income/accounting debtors and aged debt monitoring (Draft, Low Risk, 3 low risk findings)






No additional significant control findings were noted in these reports for consideration in the Annual Governance Statement for the Council. There were no wider significant controls findings that had not already been reported and considered within the Joint Finance Improvement Plan.

Where reviews are draft we conclude there is no movement or implication anticipated for our overall opinion and individual report rating.

Implications for next year's plan

As mentioned above, the Council has developed a Joint Finance Improvement Plan, this should be maintained and management should continue to consider whether the scope and budget remains appropriate to address improvements identified in this plan. We will continue to work with management on next year's plan, individual scopes or any additional pieces of work that may be requested to obtain the assurance required by management and the council.

Direction of control travel

<i>Finding rating</i>	<i>Trend between current and prior year</i>	<i>Number of findings</i>			
		<i>2015/16</i>	<i>2014/15</i>	<i>2013/14</i>	<i>2012/13</i>
Critical		0	0	0	0
High		1	0	0	2
Medium		8	8	11	27
Low		25	19	35	35
Total		34	27	46	64

Implications for management

It should be noted that the mix and focus of our internal audit plans have differed between years and therefore these results may not be directly comparable.

The overall message is one of findings being primarily low risk in nature, a low and stable level of total findings in the last two years and over the four years listed an approximate halving and overall a limited number of medium and/or high risk findings.

That having been said, the council should not be complacent and should continue to ensure its focus on continuous improvement especially given the ongoing changes around its joint working / transformation programme and unitary status discussions and ever increasing complex and / or different delivery models being introduced alongside continued funding pressures being faced in the sector.

Comparison of planned and actual activity

<i>Audit Unit</i>	<i>Planned</i>	<i>Delivered</i>
Finance Systems <ul style="list-style-type: none"> • Payroll • Debtors • Creditors 	Yes	Yes
Finance Systems <ul style="list-style-type: none"> • Collection Fund (Council Tax and NNDR) 	Yes	Yes
Finance Systems <ul style="list-style-type: none"> • Housing Benefits 	Yes	Yes
Risk Management/Governance	Yes	Yes
Programme Management *	Yes	Yes
IT *	Yes	
Service Review - planning applications **	Yes	No
Joint Working and Transformation Programme	Yes	Yes
Finance Year End Support	Yes	Yes
Total (£)	47,355	45,355

* We combined our programme management and IT reviews to look at the programme implementation of the new finance system and the business continuity arrangements around the project and new finance system.

** Deferred into Q1 of 2016/17 and being delivered during June early July. This cost has been allocated onto the 2016/17 plan fee.

Implications for management

The main variation in the plan is due to the review previously deferred from 2014/15 in relation to planning applications. This has now been deferred again into Q1 of 2016/17 plan and is being delivered during June and early July. This is also a consequence of the observation in note 1 above.

As discussed above, we will continue to work with management to improve the process and agree a flexible but more structured delivery model for 2016/2017, especially now new management structure has been put in place for 2016/17 and the S151 Officer has been confirmed.

4. Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit plan, we followed up a sample of recommendations made in prior years to ascertain whether action had been taken. The table below summarises the follow up work performed.

Results of follow up work

Audit unit	Report classification	Number of agreed actions	Status of agreed actions			
			Implemented	Ongoing	Outstanding	Not yet due
Risk Management/ Governance	Medium	5	1	4	0	0
Payroll	Low	1	0	1	0	0
Collection Fund (Council Tax and NNDR)	Medium	6	2	4	0	0
Housing Benefits	Low	2	0	2	0	0
Joint working and Transformation Program	Low	1	0	1	0	0
	Total	15	3	12	0	0

Summary

We recommend that ongoing assessment is conducted by Cherwell District Council to ensure all previously agreed recommendations are implemented at the earliest opportunity or considered further during 2016/17 where continuing operating effectiveness or design issues are identified. For those recommendations that are ongoing or outstanding, the majority are impacted by;

- the new finance system where findings relate to operational effectiveness issues and the risk versus cost of implementing additional controls for the 2015/16 year before new finance system is implemented is an appropriate consideration by management;
- ongoing changes and developments relating to joint working and transformation; and
- risk management developments being implemented across both councils.

Overall, we have no concerns to raise over the willingness or commitment of management to ensure recommendations are implemented as applicable and the timescales agreed are realistic and/or appropriate.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Cherwell District Council is for the period 1 April 2015 to 31 March 2016. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.





<i>Type of opinion</i>	<i>Indication of when this type of opinion may be given</i>
Satisfactory	<ul style="list-style-type: none"> • A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>not pervasive</i> to the system of internal control; and • <i>A minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or • <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> • An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> ○ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or ○ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

<i>Report classification</i>		<i>Points</i>
	Critical risk	40 points and over
	High risk	16– 39 points
	Medium risk	7– 15 points
	Low risk	6 points or less

Individual finding ratings

<i>Finding rating</i>	<i>Assessment rationale</i>
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 3: Performance of internal audit

Key Performance Indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee in our annual plan. Our performance against each KPI is shown in the table below. These highlight the focus of our work and the standard attained:

KPI	Target	Performance	Comments
Infrastructure			
Audits budgeted v actual	+/- 10 plan days or resource requirement with management agreement	Met	We have deferred the planning review into Q1 2016/17 and is being delivered during June 2016.
Planning			
% of audits with Terms of Reference	100%	Met	
Fieldwork			
Average cost of an audit	N/A	Met We have also delivered additional training in relation to risk management at a cost of £4,000 to the council.	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 and billed separately as required.
Reporting			
Draft reports issued promptly	Within 3 weeks of completion of the audit site work.	Partially Met. We have tried to work with management and be flexible in terms of delivery, completion of on-site work and reporting during the year. However, due to issues on both sides this has resulted in reviews being delivered later than planned and some follow up work being delivered after completion, resulting in overall delays to the expected completion of reviews against the plan.	We will continue to work to ensure exit meetings are planned on completion of the on-site work wherever possible rather than post on site work completion and this has led to some subsequent issues in issuing and clearing draft and final reports we will continue to work with management to improve the process and agree a flexible but more structured delivery model for 2016/2017, especially now new

<i>KPI</i>	<i>Target</i>	<i>Performance</i>	<i>Comments</i>
			management structure has been put in place.
Attendance at Audit Committee	100%	Met	
Relationships			
Overall client satisfaction score	8/10	TBC	To be sent out once final deliverable has been issued and approved.

We will look to discuss and modify our Key Performance Indicators where appropriate through discussions with the newly confirmed S151 Officer and the delivery of our 2016/17 plan.

Quality assurance and improvement programme

Quality is embedded in everything we do. We have rigorous quality assurance processes and below is a table summarising how this is applied to this contract.

Key Quality Assurance Systems	How this is applied
Global internal audit methodology, including working practices, documentation standards and software tools applied to all internal audits	<p>All internal audits are conducted to minimum professional standards which include:</p> <ul style="list-style-type: none"> • Approval of terms of reference, including stakeholder “buy in” and involvement; • Application of our global internal audit methodology; • Standardised reporting formats agreed with you; and • Key program steps that need to be completed on each assignment to comply with minimum quality assurance standards in line with the Public Sector Internal Audit Standards.
Regular internal audit training and development	<p>We place great emphasis on developing and maintaining the skills of our people. We achieve this through a programme of regular management and technical training, attended by all our staff. This is supplemented by sector specific training. For the public sector, this includes:</p> <ul style="list-style-type: none"> • Internal training courses on internal audit with a public sector focus; • National update seminars on, for example, risk management and governance; • Weekly newsletter containing new and emerging issues in the public sector; and • Distribution network for relevant internal and external documentation and publications.

Key Quality Assurance Systems	How this is applied
Compliance with professional practice and ethical standards	<p>Quality is further underpinned by teams of appropriately trained people with industry experience, supported where necessary by specialist skills drawn from other service areas across the firm.</p> <p>The majority of our staff are members of professional institutes and comply with ethical rules, technical standards and professional practice laid down by those bodies. This is supplemented by the Firm's own professional practice and ethical standards.</p>
Focus on staff performance and quality	<p>All our auditors set performance objectives prior to conducting an audit assignment. A project appraisal form is then completed at the end of each assignment which covers both performance and overall behaviour. Should there be any problems the Engagement Manager and where necessary, Engagement Leader, will advise the staff member of any improvements that should be made in their performance.</p>
Continuous communication with you throughout the audit	<p>Key stakeholders are involved in developing terms of reference, which is approved by a client audit owner.</p>
Customer feedback	<p>To continue to develop our service, it is important that we understand the expectations of the council and receive feedback on our performance.</p> <p>The firm's quality control and assurance procedures additionally involve the use of an annual client satisfaction survey.</p>
Key Performance Indicators	<p>We agree with you Key Performance Indicators and make sure we as a team are meeting them, if not exceeding them.</p> <p>We will look to discuss and modify our Key Performance Indicators where appropriate annually and for 2016/17 we will revisit through discussions with the newly confirmed S151 Officer.</p>
Quality Assurance programme	<p>We run an annual Quality Assurance programme in which an independent team of practice partners and staff review completed engagements to assess compliance with our quality standards and regulatory requirements.</p>



In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Cherwell District Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with Cherwell District Council in our engagement letter, contract and annual plan. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal Audit Risk Assessment and Plan 2016/17

Final

**Cherwell District
Council**

June 2016

Contents

1. Introduction and approach	1
2. Audit universe, corporate objectives and risks	3
3. Risk assessment	4
4. Annual plan and internal audit performance	5
Appendix 1: Innovation	8
Appendix 2: Detailed methodology and risk assessment criteria	11
Appendix 3: Key performance indicators	14

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 risk assessment and our internal audit plan for Cherwell District Council for 2016/17. We take this as a final plan to the June committee following the finalisation of our 2015/16 plan reviews. We have based this plan on detailed discussions with Head of Finance and Procurement and updating our understanding of the Council's risks. We note that the Head of Finance and Procurement has now been appointed as the new Chief Finance Officer (S151 Officer) within the Council's new structure.

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 will estimate the resource requirement for Cherwell District Council's internal audit service in our final plan. The level of agreed resources for the internal audit service for Cherwell District Council is agreed with the S151 Officer and it is likely that 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.

The level of agreed resources for the internal audit service for 1 April 2016 to 31 March 2017 is £47,355 (123 days equivalent), 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.

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	Paul Sutton, S151 Officer	Ian Davies, Director of Operational Delivery
Karen Curtin, Commercial Director (Bicester)	Jo Pitman, Head of Transformation	Scott Barnes, Director of Strategy and Commissioning

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:

<i>Objective</i>	<i>Risk(s) to achievement of objective</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
A District of opportunity	S14: CDC Local Plan: Failure to ensure sound local plan and priorities linked to objectives.	B1, B4 and B5 VE1
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
A Safe, Healthy and Thriving District	C7 – Joint Working: Reputational damage, service and financial performance decline.	B1, B4 and B5 VE1
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 planning 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 All Cross Cutting Sections B1, B2, B5 and B6 VE1

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.5	Collection Fund		6	4	4
A.6	Cashiers		4	3	3
A.7	Housing Benefits		6	4	4
A.8	Risk Management **		5	3	4
A.9	Information Technology **		6	4	4
B	Department				
B.1	Finance and Procurement **	An accessible, value for money Council	5	3	4
B.2	Environmental Services	A cleaner, greener District	5	3	4
B.3	Law and Governance	A safe, healthy and thriving district.	4	3	3
B.4	Strategic Planning and the Economy	A cleaner, greener District A District of opportunity	4	3	3
B.5	Regeneration and Housing	A safe, healthy and thriving district; and A District of opportunity.	5	3	4
B.6	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 2016 to 31 March 2017, 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					Comments
		Q1	Q2	Q3	Q4	
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 			✓		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	Environmental Services <ul style="list-style-type: none"> • Contract arrangements • Governance processes • Raising and collection of income • Collection rates 			✓		
B.2	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.3	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.4	IT System Reviews We can help support or review around key system changes from a variety of aspects including: system	✓		✓		We will direct our data team specialists to deliver more effective and efficient

	configuration, application and database controls and reporting configurations. Cyber Security Our 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.					outputs over your IT and data environments Appendix A
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 		✓			We undertake review(s) within council services / departments dependent on our annual risk assessment.
B.6	Housing applications and appeals To review the pre-application, application processing, decision making and appeals process	✓				This is the review that has been deferred from 2015/16.
B.7	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 2016/17 annual plan year

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 Cherwell District 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.

Audit Requirement Rating	Frequency – PwC standard approach
6	Annual
5	Annual
4	Annual
3	Every two years
2	Every three years
1	No further work

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 an agreed 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	



In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Cherwell District Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Cherwell District Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with in our agreement. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

This page is intentionally left blank

Internal Audit Charter

FINAL

**Cherwell District
Council**

June 2016

Distribution List

.....
The Accounts, Audit and Risk Committee

.....
Paul Sutton – S151 Officer, Chief Finance
Officer

.....
Sue Smith - Chief Executive
.....

About this charter

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in Cherwell District Council and has been approved by the Accounts, Audit and Risk Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Scope

All of Cherwell District Council's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, senior management and regulators.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Authority

The Internal Audit function of Cherwell District Council derives its authority from the Board through the Accounts, Audit and Risk Committee. The Chief Audit Executive is authorised by the Accounts, Audit and Risk Committee to have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

Responsibility

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Accounts, Audit and Risk Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Accounts, Audit and Risk Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Accounts, Audit and Risk Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Accounts, Audit and Risk Committee should make appropriate inquiries of management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

Independence

Internal Audit staff will remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Accounts, Audit and Risk Committee and administratively to the Head of Finance.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive, then the Board/Accounts, Audit and Risk Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Reporting and monitoring

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Board/Accounts, Audit and Risk Committee.

The Accounts, Audit and Risk Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Chief Audit Executive will meet with the Chair of the Audit Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Board/Accounts, Audit and Risk Committee.

Our team

Name	Role
Richard Bacon	Engagement Leader Chief Audit Executive
Chris Dickens	Internal Audit Senior Manager
Edward Cooke	Internal Audit Manager
Lucy Fenton	Internal Audit Team Leader

Definitions

Board	The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.
Accounts, Audit and Risk Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Senior Management	The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.
Chief Audit Executive	<p>Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations.</p> <p>Throughout this document, the term ‘Chief Audit Executive’ refers to Head of Internal Audit and this role is fulfilled by Richard Bacon – Chief Internal Auditor (PwC).</p>

In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Cherwell District Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Cherwell District Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

30 June 2016

Corporate Fraud Team Update

Report of Chief Finance Officer

This report is public

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team including an end of year report for 2015-2016 and a new business plan for 2016-2017 and to ask members to endorse the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies which have been reviewed and to endorse the new Fraud Response Plan Policy.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report including the end of year report and the new business plan for 2016-2017.
- 1.2 To endorse the policy changes and the new Fraud Response Plan.

2.0 Introduction

- 2.1 This report is to update members on the joint Corporate Fraud Investigation team and the progress that has been made since the last report to this Committee. The report includes an end of year summary for 2015-2016 and a new business plan for 2016-2017. This report will also outline a review of some of the policies that underpin the work of the team and the introduction of a new Fraud Response Policy.

3.0 Report Details

Background

- 3.1 Following the transfer of the Housing Benefit fraud investigation function to the new DWP Single Fraud Investigation Service (SFIS) from 1 February 2015 the local authority retain a number of areas including: .

- Council Tax Reduction fraud investigations

- the Single Point of Contact for Department for Work and Pensions including compilation of information and evidence requested by DWP in support of a Housing Benefit fraud investigations
- amendments to any HB claims following an investigation and the collection of any overpayments
- participation in the National Fraud Initiative (NFI) for both benefits and Council Tax
- Corporate fraud and error investigations, including tenancy fraud, Council Tax discount/exemption fraud, NDR error and avoidance and procurement fraud.
- Housing Benefit Matching System (HBMS) for both councils.

3.2 A joint Corporate Fraud team has now been established over 12 months with the aim of protecting both Councils from fraud and error and to protect public funds.

Corporate Fraud Team

3.3 The Corporate Fraud Team (CFT) comprises of two posts, a Senior Corporate Fraud Investigator (SCFI) who has been in post since 1st February 2015 and a Corporate Fraud Investigator (CFI) who took post on 23rd March 2015. The Senior Corporate Fraud Investigator is currently on maternity leave and an experienced temporary Senior Investigator has been sourced to provide maternity leave cover. An additional resource is still in place funded by the DCLG grant.

Annual Report for 2015-2016

3.4 A Business Plan was agreed to underpin the work of the team during 2015-2016 and members of this Committee have received regular reports on the progress made against this Plan. An end of year report has now been written to summarise the progress made by the team during 2015-2016. A copy of this report is shown at Appendix A. The highlights are as follows:

- The Council proactively takes part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise comparing records held by the Council against other data held by the Council and other bodies. NFI matches are split into two distinct areas: flexible matching and standard NFI matching. In 2015-2016 the team have looked at 4,444 Council Tax and Housing Benefit matches for both South Northants Council (SNC) and Cherwell District Council (CDC). A total of £133,901 has been rebilled to customers in 2015-2016 as a direct result of NFI. NFI continues to be a focus for the team in 2016-2017.
- During 2015-2016 the team received a total of 353 referrals for possible investigation. Of these referrals 289 were accepted for investigation. At Appendix F of this report there is a sample of some of the investigations that have been carried out by the team and the end results to give members a flavour of the type of work being carried out by the team.
- The Council is committed to publicising the corporate fraud team and its activities as well as the message that fraud will not be tolerated. During 2015-2016 two articles have been placed in the Council's In Brief publication with the aim of promoting the team and encouraging referrals. Articles have also been placed in Cherwell Link which is delivered to all households across the district. A review of the website has also taken place although it is accepted that further work is required on this.

- The introduction of TrustID scanners has been agreed for a trial period of 12 months. This software is a reliable way to scan and validate identity documents such as passports, visas and driving licences and allows us to carry out checks at a reduced price and so reduce exposure to fraud and error. Colleagues in Democracy, Housing, Customer Services and Revenues are signed up to utilising the scanners which will be located at The Forum and Bodicote House.
- One of the main objectives for the team was to develop working with key partners. During 2015-2016 the team has worked with a number of internal and external partners including internal and external audit, Department for Work and Pensions, HMRC, National Fraud Agency, Social Housing landlords and our own Legal, Revenues, Housing and Planning teams. The team have also taken an active role in the Oxfordshire Fraud Officer Group which allows sharing of information and best practice.
- The Single Point of Contact role enables Housing Benefit enquiries to be made by DWP and facilitates the exchange of information between the two Councils and DWP. This work has been time-consuming throughout the year. The team have established a good relationship with the DWP both in Northampton and Oxford and, as a result, have been invited to take part in a number of joint interviews with the Single Fraud Investigation Team which has in turn assisted in our investigations into the Council Tax Reduction fraud side of the claim.

Corporate Fraud Business Plan 2016-2017

- 3.5 A business plan has been written for the new financial year 2016-2017. The aim of the plan is to outline the responsibilities of the Corporate Fraud team and the aims and objectives of the team for the next 12 months. Progress against the objectives will be monitored throughout 2016-2017 and regular updates will be presented to members of this Committee. A copy of the business plan is shown at Appendix B of this report.

Policy Reviews

- 3.6 There are a number of policies that underpin the work of the Corporate Fraud team and the corporate aim to protect the Councils from fraud and error and protect public funds. At the last meeting of this Committee members were asked to consider some minor changes to the Joint Whistleblowing Policy and the Anti-Fraud and Anti-Corruption Policy and to consider the new Fraud Response Plan. Following feedback from members of this Committee the policies have been reviewed as follows:

- Joint Whistleblowing Policy shown at Appendix C of this report. There have been only very minor changes to this Policy which applies to all employees including casual and agency staff in encouraging them to come forward with any concerns about any aspect of the Council's work. Following feedback from elected members advice was sought from Legal Services as to the wording in the Policy around public interest test and whether this should be included in the Policy. Legal have confirmed that the words in question need to be in the Whistleblowing Policy because of amendments to the Employment Rights Act 1996 made in 2013. The Policy has to be consistent with the 1996 Act in providing protection for employees who make whistleblowing disclosures. Prior to 2013 the disclosure had to be made in good faith to ensure there was protection from being subjected to detriment by the employer. However any whistle blowing disclosure made on or after 25th June 2015 only attracts

statutory protection from detrimental actions if the employee makes it in the reasonable belief that it is in the public interest. The Policy is therefore stating the statutory position. A small amendment has also been made to section 11.1 of the Policy to include reference to the Safeguarding Policy.

- Anti-Fraud and Anti-Corruption Strategy shown at Appendix D of this report. Again there have been very minor changes made to this policy which underpins the anti-fraud and anti-corruption culture across the Councils including a link to the Bribery Act (2.2) and reference to the Whistleblowing Policy (7.1)
- The Fraud Response Plan shown at Appendix E of this report is a new document which aims to ensure that there is a clear understanding around who will conduct investigations, the responsibilities of officers, that there is substance and evidence to support any allegation and how any investigations will be conducted on of shared practices and procedures

4.0 Conclusion and Reasons for Recommendations

- 4.1 Members are asked to note the contents of this report and the end of year report and new Business Plan for 2016-2017.
- 4.2 Members are also asked to endorse some minor changes to the Joint Whistleblowing, Prosecution and Sanction and Anti-Fraud and Anti-Corruption Policies shown at Appendix C, D E of this report and to endorse the new Joint Fraud Response Plan shown at Appendix F.

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 Cabinet.

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: Paul Sutton, Chief Finance Officer
paul.sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 The amendments to the whistleblowing policy include changes to ensure compliance with employment legislation as indicated in paragraph 3.6 above.

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, Portfolio Holder for Financial Management

Document Information

Appendix No	Title
A	Annual Report for 2015-2016
B	Corporate Fraud Business Plan 2016-2017
C	Joint Whistleblowing Policy
D	Anti-Fraud and Anti-Corruption Policy
E	Fraud response Plan
F	Example investigations
Background Papers	
None	
Report Author	Belinda Green (Welfare and Debt Advice Manager)
Contact Information	Belinda Green 01327 322182 belinda.green@southnorthants.gov.uk

This page is intentionally left blank

Appendix A



South Northants and Cherwell District Councils

Corporate Fraud Team Annual Report

2015-2016

1. Background

The face of local authority fraud investigation has seen huge change over the last few years. Under the Welfare Reform Act 2012 the Government proposed the creation of a new single integrated fraud investigation service with statutory powers to investigate and sanction all benefit and tax credit offences including Housing Benefit.

The new Department for Work and Pension (DWP Single Fraud Investigation Service (SFIS) commenced in October 2014 followed by a national roll-out. Housing Benefit fraud investigation activity and some of the investigators employed by South Northants (SNC) and Cherwell District (CDC) Councils transferred to SFIS from 1st February 2015.

The newly formed SFIS are not responsible for the investigation of non-Housing Benefit fraud or local Council Tax fraud including Council Tax Reduction and Discounts. The statutory responsibility for protecting and ensuring that correct awards are made to reduce Council Tax liability via the Local Council Tax Reduction scheme, as well as the national scheme for those of pensionable age, remains with Local Authorities. The statute that mandates responsibility to Local Authorities in these areas is;

- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

- Fraud Act 2006

In addition to this there are other areas of Corporate Fraud including housing (waiting list applications and misuse of tenancies), Business Rates and Procurement.

The councils also still have a 'Single Point of Contact' role for Housing Benefit fraud work which involves providing evidence and information to support any DWP SFIS Housing Benefit investigations, this is done within strict criteria outlined in Service Level Agreement with DWP.

This change presented the opportunity to review the way in which both Councils moved forward in the area of fraud investigation. A new Joint Corporate Fraud Team was proposed with the objective of protecting the public purse and ensuring that procedures and controls are in place in the prevention, detection and deterrence of fraud, bribery and corruption.

Both Councils have a zero tolerance approach towards fraud, bribery and corruption, and the introduction of a Corporate Fraud team in February 2015 demonstrates the commitment of both Councils to meet this objective.

2. The Joint Corporate Fraud Team

The Corporate Fraud team currently consists of two full time officers covering both South Northants and Cherwell districts: Senior Corporate Fraud Investigations Officer who has been in post since February 2015 and the Corporate Fraud Investigations Officer who has been in post since April 2015.

For some of 2015-2016 the Senior Corporate Fraud Investigations Officer has been on maternity leave with the role covered by an Interim Senior. Further temporary resource has been obtained to carry out National Fraud Initiative and Housing Benefit Matching Service work.

The team forms part of the Welfare and Debt advice Team in the Finance Division of the Resources Directorate.

3. DCLG Funding

Department for Communities and Local Government (DCLG) acknowledged that local authorities were facing conflicting demands in the area of fraud investigation and that the introduction of SFIS gave councils some additional challenges. A £16m Counter Fraud Fund was established for 14-15 and 15-16 aimed at helping councils in establishing a future framework. Bids were invited from councils in September 2014.

A successful joint bid was submitted to DCLG by SNC and CDC and £129,625 was secured to help the two councils 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.

Regular progress reports have been provided to DCLG throughout 2015-2016.

4. Corporate Fraud Business Plan 2015-2016

The new team was established in April 2015. It was agreed that the initial focus should be on 'bedding in' the new team, raising awareness of corporate fraud, reviewing policies and procedures, establishing internal and external partnerships and completing the National Fraud Initiative (NFI) for both Councils.

A business plan was agreed to underpin the work of the team during the first 12 months. A copy of the plan is shown at Appendix A of this report. The Business Plan works in conjunction with other fundamental documents which form the basis for Corporate Fraud Anti-fraud activity across the two councils including:

- Whistleblowing Policy
- Anti-Money Laundering Policy
- Anti-fraud and anti-corruption Policy
- Fraud Response Plan

Progress against the objectives contained in the plan has been monitored throughout 2015-2016 and regular updates have been received by the Head of Finance and Procurement and members of Audit, Accounts and Risk Committee at CDC and Audit Committee at SNC.

Appendix B provides full details of the team's activity during 2015-2016 in preventing fraud and corruption and maintaining an anti-fraud culture within the two councils. The activities include:

Data Matching – National Fraud Initiative

The councils proactively take part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise, comparing records held by the council against

other data held by councils and other bodies, allowing potential fraud to be identified. If a match is found it does not necessarily indicate fraud in all instances; it does however highlight information held that may require further investigation.

The exercise runs bi-annually matching data relating to Housing Benefit, payroll, creditors, housing, insurance and taxi licencing information held by the councils. Data matching for council tax single person discount occurs in alternate years.

During 2015-2016 a total of 4,444 matches have been checked. The completed investigations led to additional liability being created of £133,901

Fraud Investigations

Whilst the councils have in place a range of internal control arrangements within its systems and processes aimed at detecting fraud and error, it is recognised that the detection of fraud is often as a result of referrals from employees, members and the general public and stakeholders.

During 2015-2016 the team received a total of 353 referrals. Of these referrals 289 were accepted for investigation. The remainder were not investigated either because of insufficient information or because the allegations were to be investigated by SFIS in relation to Housing Benefit.

The investigations undertaken are shown in the table below:

Type of Investigation	Number of investigations	Sanction/Prosecution Results
Housing tenancy	7	1 successful
Council Tax Reduction	171	1 Prosecution
Housing Benefit	26	Nil
Council Tax discounts	78	Nil

Review of Policies

During 2015-2016 the following policies have been reviewed or introduced:

Whistleblowing Policy: this is intended to support the disclosure of concerns and suspicions which cannot be raised through the anti-fraud and anti-corruption policy. This policy is reviewed on an annual basis to ensure that the policy continues to reflect current legislation and best practice. At the time of writing this report the reviewed policy is awaiting approval by elected members.

Anti-fraud and Anti-corruption Policy: the purpose of this policy is to create an anti-fraud culture, to continuously assess the risk of fraud and corruption and to ensure prompt and professional detection of fraud and corruption. Again this policy is reviewed on an annual basis to ensure that the policy continues to reflect current legislation and best practice. At the time of writing this report the reviewed policy is awaiting approval by elected members.

Fraud Response Plan: this is a new document aimed at providing guidance to employees and management in the event of a fraud investigation including officer responsibility and conduct of an investigation

Communications

The councils are committed to publicising the corporate fraud team and its activities as well as the results of successful investigations.

During 2015-2016 two articles have been placed in the in-house publications In Brief with the aim of promoting the Corporate Fraud and its activities and encouraging referrals. Articles have also been placed in SNC Review and Cherwell Link which are delivered to all households across the two districts, these will appear in the 13th June 2016 editions.

A review of the website pages relating to fraud has also taken place and although improvements have been made it is accepted that further work is required during 2016-2017.

Partnership Working

One of the main objectives for the team was to develop working with key partners. During 2015-2016 the team has worked with a number of internal and external bodies including DWP, HMRC, the Police, National Fraud Agency, other Local Authorities and Social Housing landlords, our own Legal, Revenues Housing and Planning teams and internal audit providers Price Waterhouse Cooper (PwC).

Strong partnerships have been established with South Northants Homes and Sanctuary Housing as the two largest housing providers in the districts. The team will be seeking to roll this out to other housing providers during 2016-2017.

The team have also taken an active role in the Northants Fraud Officer Group and the Oxfordshire Fraud Group sharing information and intelligence and training opportunities.

Development of IT systems

A new IT system, Intec Debtor Information System (iDIS), has been procured for a period of 12 months. This is a web based system that allows for centralised viewing of data without the need to wait for external reports from data matches. It shows all the information available on particular individuals and addresses based on simple searches. The licence allows for unlimited users and the system can be used by other departments such as debt recovery and housing. The system was installed in September 2015.

The introduction of TrustID scanners has recently been agreed for a trial period of 12 months. This software is a reliable way to scan and validate identity documents such as passports, visas and driving licences and allows us to carry out checks at a reduced price and so reduce exposure to fraud and error from identity fraud. At the time of writing this report it is anticipated that the system will be implemented and rolled out in the second quarter of 2016

5. The future

The year 2016-2017 will continue to be a year of development and enhancement for the Corporate Fraud Team. A Business plan has been written to underpin the work of the team over the next 12 months including:

- NFI.
- Continuing to undertake thorough reactive investigations and taking action to ensure the maximum recoveries for the council.
- Continuing to ensure that proven cases are effectively publicised
- Using lessons learned from investigated cases, the investigation team will work closely with Internal Audit to ensure that recommendations for fraud proof of processes and procedures are fed back to relevant departments to try and reduce the potential for similar offences in the future.
- Promoting fraud awareness officers, members, contractors and the public to encourage good quality referrals/whistleblowing
- Review policies and procedures.



Corporate Fraud Business Plan

2015-2016

Contents

1. Introduction
2. Aims and objectives
3. Working in partnership
4. Corporate Fraud team focus in 2015-2016
5. Performance measures and monitoring
6. Service plan

1. Introduction

2015-2016 will be a year of development and enhancement in the field of corporate anti-fraud activity at South Northants and Cherwell District Councils.

With the transfer of Housing Benefit fraud investigations to the Department of Work and Pensions (DWP) Single Fraud Investigation Service (SFIS) the newly formed Joint Corporate Fraud team will be focussing its approach on antifraud and error across the two authorities and work will involve promotion of anti-fraud and error, training, education as well as prevention, detection and investigative work.

Local authorities have a duty to safeguard public funds and to ensure that any public money is used appropriately. South Northants and Cherwell District Councils have a zero tolerance to fraud and error.

This plan has been produced to document the work of the Corporate Fraud team and outline the objectives for the team in its first year 2015-2016.

2. Aims and objectives

The Corporate Fraud team was formed in April 2015 and forms part of the Welfare and Debt Advice team in the Finance Division. It is a joint team and consists of two officers; a Senior Corporate Fraud Investigations Officer and a Corporate Fraud Investigations Officer. The aim of the team is to provide an effective corporate fraud service to both Councils by working closely with internal and external partners and agencies.

In 2015-2016 the team will concentrate on the following main areas:

- Develop the new team as we leave behind Housing Benefit fraud and develop a wider corporate anti-fraud service for both Councils. This includes training and development for the officers.
- Taking advantage of the shared services arrangements and DCLG funding to develop the team and to promote fraud and error awareness and prevention across the two Councils.
- Develop IT systems to support the work of the team
- Strengthen the fraud and error management processes and governance by reviewing the supporting policies and procedures seeking agreement for any changes from Audit Committee at both Councils

3. Working in partnership

The Corporate Fraud team will proactively work with all services within the Councils to offer an anti-fraud and error service and to identify and investigate any fraudulent activity.

The team will also liaise with other external partners and agencies such as:

- Internal and External Audit
- The DWP
- HM revenues and Customs
- Housing Associations
- The Police
- National Fraud Agency
- Other Local Authorities
- Any other organisations

4. The Corporate Fraud team's focus in 2015-2016

- Housing fraud
- National Fraud Initiative matches for both Councils
- To be a single point of contact for DWP SFIS team
- Housing Benefit Matching Services
- Council Tax (Reduction Scheme and discounts)
- Procurement
- Any other emerging referrals and issues.

5. Performance Measures and reporting

The team will measure success by the following:

- Monitoring the level of National Fraud Initiative matches received and measure the results (outputs) to show success rates.
- Reporting to the Welfare and Debt Advice Manager on a regular basis on key findings. This will in turn be reporting to the Finance Management team and the Head of Finance and Procurement.
- Production of a quarterly report to both Audit Committees
- Providing results to other bodies as required.



South Northants and Cherwell District Councils

Corporate Fraud Business Plan 2015-2016

Objective	Actions required:	Targets and completion dates	End of Year
<p><u>Objective 1 and objective 2</u> To Complete and confirm outcomes of National Fraud Initiative (NFI) referrals for Council Tax and Housing Benefit for both South Northants Council (SNC) and Cherwell District Council (CDC)</p>	<p>To look at each of the following matches and take actions as required CDC Total number of Single Person Discount (SPD) matches received: 811 Total number of HB matches received: 1012 SNC Total number of Single Person Discount (SPD) matches received: 1522 Total number of HB matches received: 361 Total matches 3714</p>	<p>Weekly target of 50 matches to be looked at. All matches to be completed and reported to NFI by 30th September 2015</p>	<p>4,444 matches reviewed with additional Council Tax billed of £133,901</p>

Objective	Actions required:	Targets and completion dates	End of year
<p><u>Objective three</u></p> <p>To continue with investigations on 23 cases already opened CDC</p>	<p>To complete the investigations that have been opened</p>	<p>For investigations and action to be completed by 31.10.2015</p>	<p>All cases opened prior to Corporate Fraud team starting investigation (01.02.2015) have been investigated and closed.</p>
<p><u>Objective four</u></p> <p>To consult with SNC Interim Revenues Manager on the possible introduction of financial penalties at SNC for Single Person Discount error, prepare reports for Head of Finance and Procurement and for elected members as appropriate</p>	<p>To consult with SNC Interim Revenues Manager as to the implementation of penalties for Single Person Discounts errors</p> <p>To produce a report for consideration by the Head of Finance and Procurement</p>	<p>Report for consideration by 31.1.2016</p>	<p>Penalties will not be introduced in the financial year 2015-2016 for a number of reasons including financial impact on collection rates in year.</p> <p>Meeting arranged for 16th March 2016</p> <p>Please note: penalties are in place at CDC</p>

Objective	Actions required:	Targets and completion dates	end of year
<p><u>Objective five</u></p> <p>To successfully recruit to Corporate Investigation Officer post with training/induction plan in place.</p>	<p>To undertake a recruitment exercise</p> <p>To successfully appoint to the post</p> <p>To develop a training/induction plan for successful officer</p>	<p>To have officer in post by the 31.03.2015</p> <p>For training to be completed by 31.09.2015</p>	<p>Officer has been in post since April 2015.</p> <p>Officer has undertaken training in all systems used by the team, Housing Fraud training, Universal Credit training and Council tax and NDR training.</p> <p>Officer has now signed up to a BTec qualification for Corporate Fraud Investigation</p>
<p><u>Objective six</u></p> <p>To investigate available systems to support fraud work including data sharing and draft any related business case for development</p>	<p>To investigate the systems that are available</p> <p>Draft a recommendation report</p> <p>Procure system</p> <p>Implementation plan in place</p>	<p>30th July 2015 for initial procurement</p> <p>31st December 2015 for IDIS</p> <p>31st January 2016 for TrustID</p>	<p>IDIS data hub system procured for 12 months from 04/08/2015 System will allow for data to be matched, credit checks and checking of credit reference data.</p> <p>The software was installed on 30th July and training took place on the 30th July with a further training day held on the 15th October</p> <p>System went 'live' on 1st November 2015. Data has been received from SNC Housing and awaiting elections and CT data to match against housing data.</p> <p>TrustID software and scanners have been reviewed and colleagues across democracy, housing and customer services</p>

			have agreed to jointly fund the scanners. Scanners will be installed in June 2016.
--	--	--	--

Objective	Actions required:	Targets and completion dates	end of year
<p><u>Objective seven</u></p> <p>To work partners and agencies</p>	<p>To identify possible partners to work with on anti-fraud and error.</p> <p>Approach partners</p> <p>Develop relationships</p>	<p>30th October 2015 for initial discussions</p>	<p>Following internal meetings with the following teams: Council Tax, Housing, Procurement, Customer Services the following progress has been made:</p> <ul style="list-style-type: none"> • A review was undertaken of student exemptions at CDC. 8 addresses were identified for investigation which are now in progress. If investigations are successful and exemptions removed this will result in increased liabilities totalling £10,000 • Charities commission has been approached regarding data matching against their records • Data has been received from SNC Housing list. Awaiting a match via IDIS • Informal external partnerships have also been formed with South Northants Homes, Sanctuary Housing and Paradigm. This has resulted in 7 tenancy fraud investigations – 2 have been successfully concluded and two tenancies returned to the housing providers. This

			has generated a non - cashable 'saving' of £18,000 per property
--	--	--	---

Objective	Actions required:	Targets and completion dates	End of year
<p><u>Objective eight</u></p> <p>Produce a communication plan to increase fraud awareness and prevention both internal and external</p>	<p>Consider possible methods of communications</p> <p>Develop a timeline for communications to be made.</p> <p>Develop a measure of success (number of referrals received)</p>	<p>30th June 2015 for draft plan</p> <p>Communications will be through year</p>	<p>Article has been placed in In Brief at both Councils</p> <p>Article placed in SNC Review and Cherwell Link</p> <p>Websites have been updated.</p> <p>A twitter account has been set up following consultation with the Communications team</p> <p>Fraud awareness sessions for staff planned for July 2016</p>
<p><u>Objective nine</u></p> <p>To review and update as required corporate fraud policies</p>	<p>To review the policies that underpin the Corporate Fraud team work</p> <p>To make recommendations for any changes</p> <p>Prepare reports for Audit Committees to consider the changes</p>	<p>Originally 30th September 2015.</p>	<p>The following policies have been reviewed</p> <ul style="list-style-type: none"> • Anti-fraud and anti-corruption policy • Counter Fraud policy • Whistleblowing Policy • Fraud response plan. <p>Other policies including anti-money laundering policy and Cyber Crime Policy will be reviewed in 2016.</p>

Objective	Actions required:	Targets and completion dates	End of year
<p><u>Objective ten</u></p> <p>To agree performance targets and to update on the performance against target</p>	<p>Establish targets</p> <p>Monitor targets regularly</p> <p>Report to senior managers</p> <p>Report to Audit Committee</p>	<p>1st April 2015 for targets to be agreed and then quarterly updates.</p>	<p>Joint SNC/CDC targets</p> <ol style="list-style-type: none"> 1. To achieve CTR savings of £12,000 in 15/16 2. To achieve SPD savings of £12,800 in 15/16 3. Housing allocation £18,000 4. Grant fraud £19,000 5. NDR £10,000 <p>End of year update</p> <ol style="list-style-type: none"> 1. Target met and exceeded in Q1 so work has been focussed on other areas 2. £133,901 additional billed due to NFI 3. £36,000 4. £0 5. £4,000

Appendix B

**Corporate Fraud Team
Performance Summary 2015-2016**

Objective	Performance/investigations undertaken	Results
Provide information for SFIS	224	2 sanctions applied by DWP
Complete National Fraud Initiate Matches for Council Tax and Housing Benefit for SNC and CDC	4,444 matches received	Additional billed £133,901
Housing fraud investigations undertaken	7	1
Grant fraud	0	0
NDR evasion	1	0
CT	78	0
CTR	171	1

Appendix B



Corporate Anti-Fraud Business Plan

2016-2017

Contents

1. Introduction
2. Aims and objectives
3. Working in partnership
4. Responsibilities
5. Current and emerging risks
6. Approach
7. Corporate Fraud team focus in 2016-2017
8. Service plan

1. Introduction

The year 2016-2017 will continue to be a year of further development and enhancement in the field of corporate anti-fraud activity at South Northants and Cherwell District Councils.

Local authorities have a duty to safeguard public funds and to ensure that any public money is used appropriately. South Northants and Cherwell District Councils have a zero tolerance to fraud and error.

The Councils recognise that fraud and corruption are costly both in terms of reputational risk and financial loss. The Councils have a number of policies and procedures which underpin the Council's anti-fraud and anti-corruption activities including:

- Internal Audits and controls. These are undertaken by Price Waterhouse Cooper (PwC) external auditors in accordance with the requirements of the Accounts and Audit Regulations 1996 and associated guidelines.
- External Audits are carried out by Ernst Young and the auditor undertakes a planned programme of work across the two authorities.
- National Fraud Initiative (NFI). As part of the annual external audit process, the authorities are required to participate in the National Fraud Initiative. The Councils provide data from their systems which is matched with that of other authorities and agencies to identify possible fraud.
- Whistleblowing Policy. The Councils Whistleblowing Policy enables employees to report concerns without fear of reprisal. This joint Policy was reviewed in March 2016.
- Money Laundering Policy. There have been significant changes to the legislation governing money laundering. The Money Laundering Policy places responsibility on all employees to report any suspicious financial activity and on the Reporting Officer to ensure suspicions are investigated.
- The National Anti-Fraud Network (NAFN). NAFN is a central point of contact for authorities to exchange information across the country and obtain intelligence relating to allegations of fraud. The Councils are members of NAFN.
- Fraud Response Plan Policy. This details instructions on reporting suspicions, how investigations are done and investigations. The Joint Response Plan was drafted and endorsed by members in March 2016.
- Prosecution and Sanctions Policy
- Anti-Fraud and Anti-Corruption Policy
- Anti-Bribery Policy

This plan has been produced to document the work of the Corporate Fraud team and outline the objectives for the team in 2016-2017.

2. Aims and objectives

The Corporate Fraud team was created in April 2015 and forms part of the Welfare and Debt Advice team in the Finance Division. It is a joint team and consists of two officers; a Senior Corporate Fraud Investigations Officer and a Corporate Fraud Investigations Officer. The aim and objectives of the team are as follows:

- Create and promote a robust “anti-fraud” culture across the organisations, highlighting the Council’s zero tolerance of fraud, bribery and corruption.
- Encourage individuals to report suspicions of fraudulent or corrupt behaviour and the means to do this.
- Develop the new team as we leave behind Housing Benefit fraud and develop a wider corporate anti-fraud service for both Councils. This includes training and development for the officers.
- Taking advantage of the shared services arrangements to develop the team and to promote fraud and error awareness and prevention across the two Councils.
- Further develop IT systems to support the work of the team
- Strengthen the fraud and error management processes and governance by reviewing the supporting policies and procedures seeking agreement for any changes from Audit Committee at both Councils
- Work with partners and other investigative bodies to strengthen and continuously improve resilience to fraud and corruption.
- To investigate allegations of fraud in a timely manner, when they are reported, to ascertain if there is any evidence to support the allegation. To deal with offenders under the Councils Prosecution & Sanction Policy.

3. Working in partnership

The Corporate Fraud team will proactively work with all services within the Councils to offer an anti-fraud and error service and to identify and investigate any fraudulent activity.

The team will also liaise with other external partners and agencies such as:

- Internal and External Audit
- The DWP
- HM revenues and Customs
- Housing Associations

- The Police
- National Fraud Agency
- Other Local Authorities
- Fraud Liaison groups across Northamptonshire and Oxfordshire
- Any other organisations

4. Responsibility

The Monitoring Officer has overall responsibility for the operation of the overarching policies in liaison with the Chief Executive, Audit, and the Head of Transformation/HR. From a statutory perspective the duty to prevent and detect fraud lies with the Chief Finance Officer as set out in Section 151 of the Local Government Act 1972

The Internal Auditor is charged with ensuring that the strategy and policies and procedures deliver what is required.

All managers are responsible for fraud risk management in their own particular service area with support from the Joint Management Team.

5. Current and Emerging Risks

Council Tax Reduction/Discounts

Despite the transfer of housing benefit investigations to SFIS it is still likely that the related Council Tax Reduction and other discounts will continue to be a key fraud risk facing the Councils. Nationally a third of households claim single person discount on Council Tax, although this varies significantly between individual councils. In addition to our participation in the National Fraud Initiative (periodical data matching exercises between various datasets) we have undertaken additional exercises ourselves or in collaboration with others

Business Rates fraud/evasion

The vast majority of ratepayers pay the business rates that they should pay. However, there are a small minority who avoid paying the business rates that are due. This imposes an unfair burden on others and prevents the Council from maximising income. The Corporate Fraud Team is committed to prevent this loss of income.

Across the two councils there is a strong and effective inspection regime in place and the Corporate Fraud team continue to work with and support the work of the team.

Housing and Tenancy Fraud

Housing tenancy fraud is defined as:

- Subletting a property for profit to people not allowed to live there under the conditions of the tenancy;
- Providing false information in the housing application to gain a tenancy;
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant; or
- Failing to use a property as the principal home, abandoning the property, or selling the key to a third party.

Insurance fraud

Nationally this continues to rise but this may be due to the result of greater attention being given to such fraud in recent years by local authorities. From the perspective of SNC and CDC the number and value of claims is low and are being effectively managed in collaboration with insurers

Council Housing Grants/Disabled Facilities Grants

Nationally councils look to provide grants to home owners or tenants or landlords to improve their homes. Examples are Disabled Facilities Grants, essential repairs grants, small repairs service, energy efficiency project (CHEEP, landlord home improvement grant, Warm front grant, and flexible home improvement loan.

6. Approach to Anti-Fraud

Prevent: Anyone who works for, or with the Council has a responsibility for ensuring public funds and resources are being used appropriately. SNC and CDC promote a zero tolerance culture to fraud, bribery and corruption.

Prevention will focus on the identification and routine evaluation of fraud risks to understand specific risks, developing an anti-fraud culture to increase resilience to fraud, prevent fraud through robust internal controls and developing networks to facilitate partnership working.

On-going assurance will be provided by Internal Audit's planned audit work and fraud activity will be focused on those fraud risks that are of a high priority or where residual risks have been identified.

SNC and CDC recognise the importance of deterring individuals from committing fraud, bribery and corruption by publicising the Council's anti-fraud and corruption stance. The use of the media to highlight cases of fraud prosecutions and preventions to ensure the public are aware and encouraged to report instances of fraud).

Detect: Measures need to be in place to ensure any suspicious activity is detected and reported for investigation. This will be supported by data and intelligence sharing, using techniques such as data matching, effective whistleblowing arrangements, effective referral process and utilising the experience and skills of staff.

Promote: SNC and CDC recognise the importance of deterring individuals from committing fraud, bribery and corruption by publicising the Council's anti-fraud and corruption stance, applying sanctions including internal disciplinary, regulatory and seeking redress including recovery.

7. The Corporate Fraud team's focus in 2016-2017

- Council Tax (Reduction Scheme and discounts)
- National Fraud Initiative matches for both Councils
- To be a single point of contact for DWP SFIS team
- Housing Benefit Matching Services
- Housing Fraud
- Procurement
- Grants
- Promoting an anti-fraud and corruption culture
- Any other emerging fraud threats and issues.

8. Performance Measures and reporting

The team will measure success by the following:

- Monitoring the level of National Fraud Initiative matches received and measure the results (outputs) to show success rates.
- Reporting to the Welfare and Debt Advice Manager on a regular basis on key findings. This will in turn be reported to the Finance Management team and the Chief Finance Officer.
- Production of a quarterly report to both Audit Committees
- Providing results to other bodies as required.



South Northants and Cherwell District Councils

Corporate Fraud Business Plan 2016-2017

Prevent

Objective	Actions required:	Desired Outcomes	Update
<p><u>Objective One</u></p> <p>To prevent fraud through the implementation of appropriate and robust internal control measures.</p>	<p>Robust internal audit plan with audit inspections</p> <p>Review procedures and policies by service managers</p> <p>To constantly review the measures put in place, in order to keep abreast of changing fraud trends</p>	<p>An improved internal control environment</p> <p>Managers will give due consideration to the risks of fraud, bribery and corruption when writing new or updating existing policies, strategies or procedures to help prevent fraud</p>	<p>.</p>

Objective	Actions required:	Desired Outcomes	Update
<p><u>Objective two</u></p> <p>To increase fraud awareness amongst employees, Members and customers</p>	<p>Undertake fraud awareness training</p> <p>Continue to disseminate fraud warnings to managers and staff</p> <p>E learning to be investigated</p> <p>Website updates</p> <p>Policies/procedures</p> <p>Service plans and risk plans to be looked at</p>	<p>Strong anti-fraud culture across two organisations</p> <p>Increased awareness of threat of fraud</p> <p>Understanding of responsibilities</p>	
<p><u>Objective three</u></p> <p>To further develop networks and partnership arrangements</p>	<p>Contribute to NFI</p> <p>Work with DWP SFIS team</p> <p>Explore opportunities for joint working and determine formal and informal arrangements</p>	<p>Arrangements in place with others external to the Council to improve the efficiency and effectiveness of counter fraud and corruption risk management</p>	

Objective	Actions required:	Desired outcomes	Update
<u>Objective four</u> To maintain and enhance the Council's confidential reporting and whistleblowing arrangements .	Review the Council's whistleblowing arrangements and the policy Advertise fraud hotline	An internal policy which is fit for purpose and reflects the latest best practice.	

Detect

Objective	Actions required:	Desired outcomes	Update
<u>Objective five</u> To maintain and enhance the Council's confidential reporting and whistleblowing arrangements .	Review the Council's whistleblowing arrangements Review the online reporting system Fraud awareness day	An internal policy which is fit for purpose and reflects the latest best practice.	
<u>Objective six</u> To ensure protocols are in place to allow data and intelligence sharing and analysis using data matching	Continue active involvement in data matching exercises, such as NFI. Review existing arrangements to ensure the Council is maximising NAFN subscription. Develop links with external	Fraud, bribery and corruption are identified and investigated	

	agencies to enhance opportunities for information sharing.		
<u>Objective seven</u> Maintain an appropriate mix of experienced and skilled staff	Continual learning and professional development of “counter fraud” and investigatory officers.	Councils will have access to suitably trained staff to undertake investigations	Current training being undertaken to Btec Certificate standard
<u>Objective eight</u> To implement software to enable wider data matching to take place	IDIS data matching software has been purchased. This needs to be implemented	Councils and partners will be able to take part in data matching exercises	This project is currently being updated by a member of the fraud staff
<u>Objective Nine</u> To implement Trust ID software to authenticate documents	Trust ID software has been purchased and will be used by a number of sections. This needs to be implemented.	To reduce the incidence of identity fraud, affecting both councils, Revenue & Benefit, Housing, Licensing & electoral services.	This is a 12 month trail and will be reviewed in this period to consider if it is fit for purpose and also any update of the system that may be required.

Promote anti-fraud message

Objective	Actions required:	Desired outcomes	Update
<u>Objective ten</u> Publicise the Council's counter fraud stance	Review policies and publicise on website Website updates Communication via In Brief, SNC Review and CDC Link	Individuals are deterred from committing fraud against the Council	
<u>Objective Eleven</u> Sanctions/prosecutions policy to be in place	Review of current policy Update policy to include sanctions	Individuals are deterred from committing fraud against the Council	

Appendix 2 – Key roles and responsibilities

Audit and Risk Function	Corporate Anti-Fraud Team responsibilities
Internal Audits of the council's overall anti-fraud arrangements, including financial irregularities	Drafting/updating of anti-fraud policy, fraud response plan and investigation guidelines.
Reporting to the Accounts, Audit & Risk Committee and Audit Committee.	National Anti-Fraud Network liaison, fraud/scam alerts, police liaison/protocols, bulletins, newsletters.
External Audits of the Council's overall anti-fraud arrangements	National Fraud Initiative (NFI) investigations and co-ordination.
	Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any surveillance/RIPA activities
	Advice and guidance on fraud investigation, awareness raising activities



CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

Note: references in this policy to “the Council” mean both Cherwell District Council and South Northamptonshire Council and references to “employees” are also to employees of either 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, for example because the issue raised puts others at risk. 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 to which they have access, to unauthorised party, 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.



CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 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 in the reasonable belief that they are made in the public interest 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

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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 the reasonable belief that it is made in furtherance of the public interest

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

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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 a reliable source.

6 Untrue Allegations & Legal Protection

- 6.1 If an allegation is made in the reasonable belief that it is in the public interest to make it, but it is not confirmed by the investigation, no action will be taken against the employee making the allegation.
- 6.2 As an employee of either Council you are also given legal protection by the Public Interest Disclosure Act 1998 as amended. 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 the belief that you are acting in pursuance of the public interest, it will be unlawful for your employing 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

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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. If the concern relates to an elected member the Monitoring Officer will need to be notified so that he can consider whether the matter needs to be pursued as a potential breach of the councillors' code of conduct under the adopted arrangements for dealing with such matters.

- 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

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- Law and Governance
- 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).

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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



CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

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
- Employee Code of Conduct
- Disciplinary Procedures
- Constitution
- Financial Procedure Rules
- Annual Governance Statement
- Risk Management Policy
- Internal Audit Strategy
- Safeguarding Policy



**CHERWELL DISTRICT COUNCIL AND
SOUTH NORTHAMPTONSHIRE COUNCIL**

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

Anti-Fraud and Anti-Corruption Strategy.

1.0 Introduction

1.1 Fraud and corruption committed against Cherwell District Council (CDC) and South Northamptonshire Council (SNC) causes:

- a) financial loss;
- b) social harm,
- c) reputational damage and
- d) undermines the probity of good governance.

1.2 The residents and stakeholders of CDC and SNC have the right to expect that:

- a) their best interests are served;
- b) public funds are secure;
- c) decisions are honestly made;
- d) elected members and officers act with integrity; and
- e) the name of their council is not tarnished.

1.3 The purpose of this strategy is to:

- a) create an anti-fraud and anti-corruption culture;
- b) continuously assess the risk of fraud and corruption;
- c) maximise the deterrence of fraud and corruption;
- d) build robust anti-fraud and anti-corruption prevention mechanisms;
- e) ensure prompt detection of fraud and corruption which cannot be prevented;
- f) professionally investigate cases of detected fraud and corruption;
- g) effectively prosecute and sanction offenders where the law and circumstances allow; and
- h) actively seek redress by the recovery of lost funds.

1.4 It is recommended that all partners, providers, contractors and suppliers either adopt this strategy or adhere to a strategy consistent with the principles set out in this strategy. The Accounts Audit and Risk Committee of CDC and the Audit Committee of SNC ("the Audit Committees"), through the Corporate Fraud Team, may request annual confirmation of the counter fraud and counter corruption strategies partners, providers, contractors and suppliers have in place.

1.5 The oversight of this strategy and the aims it seeks to achieve lie with the Audit Committees.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

2.0 Definitions

- 2.1 Fraud: an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.
- 2.2 Corruption or Bribery: the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by a council, its elected members or officers. Bribery is another term for corruption and has the same definition.
- 2.3 Fraudulent incident: where an officer with management responsibility has determined that on the balance of probabilities a fraud or act of corruption has occurred. Having determined an incident has occurred the officers must decide on a course of action. Action could include, but not be limited to, prevention of a payment, the stopping of an entitlement, the raising of a debt or overpayment, prosecution (if the evidential burden of proof beyond reasonable doubt is met), dismissal, some form of internal disciplinary action, or no further action. All fraudulent incidents must be centrally recorded.
- 2.4 Fraud value: the actual loss and potential financial loss all incidents of fraud and corruption must be calculated. Calculations should be based on the balance of probability which is the evidential standard used in civil court cases. Robust recovery of actual fraud and corruption losses must be undertaken. Both actual loss and potential loss must be centrally recorded.
- 2.5 The balance of probability: the information at hand tends to confirm that it is more likely than not that fraud or corruption has occurred.

3.0 The Corporate Fraud Team (CFT)

- 3.1 CDC and SNC have a corporate fraud team. CFT are charged with oversight of countering fraud and corruption in CDC and SNC. CFT will work in partnership with both internal and external auditors to ensure the Audit Committees of CDC and SNC have assurance that this strategy is being complied with.
- 3.2 CFT will have access to all electronic and hardcopy files, records and documents held by CDC and SNC, including emails and telephone records, following appropriate justification.
- 3.3 CFT will have access to all physical areas, buildings and offices of CDC and SNC, including personal storage space such as desk draws and lockers, following appropriate justification.
- 3.4 CFT will have access to all elected members, officers (permanent and temporary), partners, providers, contractors and suppliers, following appropriate justification.
- 3.5 CFT will act in a fair, independent and objective manner, without fear or favour and not be affected by improper or undue pressure from any source. CFT will not let any personal views about ethnic or

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

national origin, disability, sex, religious beliefs, political views or the sexual orientation of suspects, victims or witnesses influence their decisions.

4.0 Creating an anti-fraud and anti-corruption culture

- 4.1 It is key that an anti-fraud and anti-corruption culture is created and that all members and officers demonstrate a clear and active commitment to this strategy.
- 4.2 Any values system needs to be based on clear, broadly expressed principles which are aspirational, rooted in the core purposes of an organisation and easy to communicate and understand. These values should underpin an organisation's governance and be embedded in all its processes. As such, this strategy adopts the '*Seven Principles of Public Life*' (also known as the '*Nolan Principles*')
- 4.3 These principles are:
- I. Selflessness – Elected members and officers should act solely in terms of the public interest.
 - II. Integrity – Elected members and officers must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
 - III. Objectivity – Elected members and officers must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
 - IV. Accountability – Elected members and officers are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - V. Openness – Elected members and officers should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
 - VI. Honesty – Elected members and officers should be truthful.
 - VII. Leadership – Elected members and officers should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

4.4 These principles should regularly and frequently be promoted to all elected members and officers. Most importantly the principles should be clearly and demonstratively visible in all areas and actives of CDC and SNC.

5.0 Continuously assessing the risk of fraud and corruption

5.1 The Corporate Fraud Team (CFT) are charged with assessing the risk of fraud and corruption to CDC and SNC. CFT working in partnership with both internal and external auditors will ensure that a fraud and corruption risk register is maintained and up to date. The fraud risk register must cover all CDC and SNC services and activities.

5.2 CFT will issue fraud alerts of current and merging fraud risks to relevant services.

6.0 Maximise the deterrence of fraud and corruption

6.1 The fear of getting caught is the single biggest deterrent to potential criminals. As such, CDC and SNC will have in place the resources to ensure that it is more likely than not that fraudsters and those committing corruption will be caught.

6.2 Any person caught committing fraud or corruption will be dealt with vigorously in line with the Prosecution Policy.

6.3 When CDC and SNC obtain a guilty outcome from prosecution action they have taken they will seek maximum publicity of the case. Thus sending a clear message that CDC and SNC will robustly protect taxpayers' money and valuable resources.

6.4 CDC and SNC will celebrate the successes of the CFT in protecting the public purse.

7.0 Build robust anti-fraud and anti-corruption prevention mechanisms

7.1 It is the responsibility of all officers to ensure that funds from the public purse are not lost, and the reputation of CDC and SNC is not damaged, because of fraud or corruption. There is a duty on all officers to raise concerns about fraud and corruption, including any control or system weaknesses.

7.2 Service Heads and all managers must ensure that the activities for which they are responsible are undertaken in a robust control environment.

7.3 Internal anti-fraud and anti-corruption controls must be established. These internal controls must be familiar to all officers, rigorously enforced and adhered too.

7.4 The CFT working in partnership with internal and external audit will ensure that internal anti- fraud and anti-corruption controls are subject to continuous auditing and monitoring. Monitoring activity will be communicated throughout CDC and SNC

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 7.5 All officers will immediately notify their manager when there has been a breach of anti-fraud and anti-corruption controls. All Service Heads and managers should notify CFT of any breaches.
- 7.6 Service Heads and managers, with the support of CFT and internal audit should resolve control breaches and system weaknesses immediately.
- 7.7 All elected members and officers must be above reproach. As such, a Gifts and Hospitality Register will be maintained. All elected members and officers are required to make themselves aware of the Gifts and Hospitality Policy.

8.0 Prompt detection of fraud and corruption which cannot be prevented

- 8.1 Fraud and corruption are endemic crimes that cannot be fully prevented despite the most effective and efficient of prevention measures. All elected members and officers have a duty to be ever watchful for fraud and corruption and must report it as soon as they become aware.
- 8.2 All suspicions of fraud and corruption, no matter how small, must be reported to CFT.
- 8.3 CFT will make itself assessable to all elected members, officers (permanent and temporary), partners, providers, contractors, suppliers, citizens and stakeholders to report concerns about fraud and corruption with CDC and SNC. This should include accessible referral systems, frequent publicity campaigns, fraud awareness training and maintaining a 'Fraud Hotline'.
- 8.4 CFT will maintain records of suspicions of fraud and corruption reported, what action was taken and the outcome.

9.0 Professionally investigate cases of detected fraud and corruption

- 9.1 CDC and SNC will maintain a professional, effective and efficient investigative resource.
- 9.2 This resource, in the form of CFT, will have officers professionally trained in investigating fraud and corruption. CFT officers will be expected to undertake continuous professional development and maintain knowledge of current best counter fraud and counter corruption practice.
- 9.3 CFT officers will be subject to a 'Code of Conduct' requiring them to uphold the highest standards of investigative professionalism. Any breach of this Code of Conduct may result in disciplinary action.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

10.0 Effectively prosecute and sanction offenders where the law and circumstances allow

10.1 CDC and SNC have a prosecution and sanction policy. This policy must be adhered to in all relevant circumstances.

11.0 Actively seek redress by the recovery of lost funds

11.1 Fraud and corruption cannot be allowed 'to pay'. CDC and SNC will robustly seek to fully recover all funds lost to fraud and corruption.

11.2 All debts owed to CDC and SNC as a result of fraud or corruption (as set out in the Definitions of this Strategy) must be marked as such on debt recovery systems. No debt resulting from fraud or corruption can be 'written off' without authority of the 151 Officer in consultation with CFT.

11.3 CFT will support all services in the recovery of fraud and corruption debts through criminal and civil legislation, tracing of offenders and detection of offender's assets.

12.0 Conclusion

12.1 CDC and SNC recognise that fraud and corruption poses a serious risk of financial loss and reputation reputational damage. In adopting this Anti-Fraud and Anti-Corruption Strategy CDC and SNC send a clear message to all elected members, officers, citizens and stakeholders that fraud and corruption is unacceptable and will be dealt with in a robust manner.

12.2 This Statement will be subject to annual review by the Audit Committees.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

Fraud Response Plan

Introduction

- 1.0 This plan provides guidance to employees and management in the event of their becoming aware of, or suspecting a fraud or corrupt act being committed against CDC and/or SNC by an Elected member, officer, contractor or service user.
- 1.2 The objectives of a fraud response plan are to ensure that timely and effective action can be taken to:
- minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation;
 - ensure there is a clear understanding over who will lead any investigation and to ensure service managers and Human Resources are involved as appropriate;
 - secure evidence and ensure containment of any information or knowledge of any investigation into the matter reported;
 - prevent further losses of funds or other assets where fraud has occurred and maximise recovery of losses;
 - ensure there is substance and evidence to support any allegation against an employee before that employee is subject to disciplinary action;
 - minimise the effect of a fraud or corrupt act by taking appropriate and timely action at an early stage;
 - identify the perpetrators and maximise the success of any disciplinary /legal action taken; and
 - minimise any adverse publicity for CDC and/or SNC
- 2.0 Officer responsibilities**
- 2.01 There are a number of actions officers may be required to undertake depending on who is involved in the fraud or corruption.
- 2.02 Officers who know of or suspect a fraud or corrupt act should not discuss the matter with other work colleagues either before or after reporting it to the appropriate person.
- 2.03 Officers should never confront the suspected individual or act in a manner which might draw the individual's attention to their suspicions.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 2.04 At the earliest opportunity officers should provide a statement clearly recording all the activities they have witnessed and information they have received or are aware of. It is important to record as much information as possible to inform any subsequent management assessment or investigation, including dates, times and sequences of events.
- 2.05 Officers must only report genuine concerns and believe the concerns to be true. Any reports which are subsequently determined to be malicious could be dealt with as a disciplinary matter.
- 2.06 All information about the case, including details of who made the allegation, will remain confidential wherever possible. However, any investigation may lead to criminal proceedings. Therefore, witnesses may be required to make statements and attend court. Also, in the interests of justice sources of the allegation may need to be made public in court.

3.0 If the fraud or corrupt act is being committed by:

- 3.01 a member of the public or service user in the officer's service area, then, under normal circumstances, officers should report their concerns to their line manager. It may be the case that fraud is a frequent occurrence in some services and there may be arrangements in place for officers to report fraud directly to the Corporate Fraud Team (CFT).
- 3.02 a member of the public or service user not in the officer's service area then the officer should NOT ignore the information they have, but should report the matter directly to CFT. This may include information that comes into the officer's possession through their personal or social life.
- 3.03 a work colleague within the colleague's area of work, then, under normal circumstances, officers should report the matter to their line manager.
- 3.04 a work colleague, outside the colleague's normal sphere of work then, under normal circumstances, officers should report the matter to their line manager. Officers may not wish to report the matter to their line manager, particularly if there is a suspicion the line manager is involved in committing the fraud or corrupt act or having an involvement or knowledge. In such circumstances, officers should make their reports direct to CFT.
- 3.05 an elected member, then, under normal circumstances, officers should report their concerns to the Monitoring Officer. The Monitoring Officer is responsible for initiating any internal investigations relating to alleged breaches of the councillors' code of conduct.
- 3.06 Officers are also at liberty to raise concerns by way of whistleblowing, in line with CDC and SNC councils' Whistleblowing Policy.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

3.07 Where an elected member come into possession of information which may indicate that a fraudulent or corrupt act is being perpetrated the expectation is that they will report this to either the Chief Executive or the appropriate Executive Director. The Chief Executive or the Executive Director should ensure that any subsequent investigation follows the requirements of this fraud response plan.

8.0 Investigation Conduct

8.01 When a suspected fraud or corrupt act is reported to a line manager, the line manager must report the allegation to CFT. The line manager, in consultation with CFT, will assess the situation and will, where evidence suggests there is a potential fraud or corrupt act, undertake an investigation in conjunction with the Senior Corporate Fraud Officer.

8.02 The Monitoring officer should also follow the requirements of this Response Pan.

8.03 Under no circumstances should a line manager confront the alleged perpetrator without having consulted CFT. The line manager should not discuss the case with other officers or peer managers.

8.04 For internal cases involving an officer or officers the appropriate Director should be informed unless the Director is suspected of being involved in the allegation. Directors do not have the power to interfere or prevent an investigation as set out in this Response Plan.

8.05 All investigation conducted by CDC and SNC will be conducted in a professional and legal manner. All investigative legislation and codes of practice will be complied with to the full. Any investigation that may result in criminal proceedings should be conducted by CFT, or CFT liaising with the police or other law enforcement agencies.

8.06 If the assessment of the allegation concludes that an investigation will not result in criminal proceedings, it will be normal practice that CFT will conduct the investigation. However, if CFT resources are unavailable, the investigation can be conducted by the line manager or other appointed person following CFT advice.

8.07 The investigation should be carried out as quickly as possible with the objectives of either substantiating or repudiating the allegation.

8.08 All evidence will be held securely - evidence could be documents, CCTV tapes or computer records.

8.09 The securing of computers and associated data and records is a specialised procedure and should only be attempted by specialists, these specialists should be sourced through CFT.

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 8.10 The investigating officer will be responsible for gathering and securing evidence, interviewing witnesses, interviewing alleged perpetrators and writing an investigation report.
- 8.11 All interviews with alleged perpetrators will be audio recorded. However, only when there is prima facie evidence of a crime will the alleged perpetrator be cautioned in accordance with the Police and Criminal Evidence Act 1984. (PACE).
- 8.12 All interviews will be conducted in line with the relevant PACE code of practice. There will be two interviewing officers present. The interviewee will be afforded all legal rights, such as those set out in the Human Rights Act 1998 and PACE. If the interviewee is an officer of CDC or SNC then they will be entitled to legal and trade union representation. Any advice should come from a legal representative having received instruction from the officer being investigated or the trade union representative.
- 8.13 If the allegation is serious it may be desirable to remove an employee from the workplace, whilst the investigation is undertaken. If suspension is being considered the line manager and CFT will discuss this with the Human Resources. A decision to suspend should be taken promptly with a Director's approval of the suspension. Any Officer suspended must NOT, under any circumstances, be allowed access to computer systems, or any records or other officers.
- 8.14 At the conclusion of the investigation, the investigating officer will write an investigation report. This report will lay out the evidence obtained and set out what this evidence tends to suggest. The investigation report will be presented to the line manager. The line manager and the investigating officer will discuss what course of action should then be taken. In serious cases Directors should be consulted,
- 8.15 Action could include:
- taking no further action;
 - applying the Prosecution and Sanctions Policy
 - taking disciplinary action
 - recovering losses
- 8.16 Any elected member, officer or member of the public who has been interviewed must be notified as soon as possible of the outcome of the investigation.

9.0 Conclusion



CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 9.1 This Fraud Response Plan is part of the Counter Fraud and Corruption Framework and is intended to ensure that CDC and SNC objectives in countering and investigating fraud and corruption are achieved.
- 8.2 However, the Response Plan cannot cover all eventualities. As such, there may be issues or situation where officers are uncertain what to do. If this is the case the Counter Fraud Team should be contacted immediately.

This page is intentionally left blank

Appendix F

Sample of investigations undertaken

Case One

Housing tenancy fraud referral received in respect of a Sanctuary Housing property. Following an investigation and a visit made to the property it was confirmed that the resident was not the legal tenant and a signed statement was taken to this effect. The tenancy holder was out of the country and had been for 12 months.

The Corporate Fraud team estimate that this has saved the Council £18k pa based on the cost of a family in temporary accommodation (figure provided by National Fraud Authority).

Sanctuary Housing are now obtaining a Notice Seeking Possession.

Case Two

As a result of Real Time Information (RTI) a referral for Council Tax Reduction and Housing Benefit fraud was received. Claimant had received earnings that had not been declared. Following an investigation and the claimant being interviewed under caution, an offence under The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 was made out.

The Corporate Fraud Team recovered an excess Council Tax Reduction of £1,974.56 and a Housing Benefit overpayment of £9,743.99.

Case Three

Referral received from Entitlements that claimant had failed to respond to requests for proof of earnings. Following an investigation it was established that the claimant had had a change in earnings which had not been declared. Claimant was interviewed under caution and an offence under The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 was made out.

The Corporate Fraud Team recovered an excess Council Tax reduction of £2,130.00.

Case Four

Following a recent investigation in co-operation with the DWP in Northants, this identified that the customer had capital in excess of £16,000, They had failed to declare.

Following interview a Housing Benefit overpayment was identified, also Council Tax Support Excess Reduction of £1,255.39.

Case Five

An investigation in Sept 2015 confirmed that the customer had been in receipt of a Single Occupier Discount since July 2007.

It was confirmed that the customer's son also lived in the household, he turned 18 years old on the 2.4.2013 and he had also been in employment whilst resident in the household.

Information from the customer during an informal interview confirmed these facts. This has created an Excess discount award of £1,302.57.

Cherwell District Council

Accounts, Audit and Risk Committee

30 June 2016

<p style="text-align: center;">Fourth Quarter Risk Review 2015/16 and 2016/17 Shared Risk & Opportunities Management Strategy</p>
--

Report of Director - Strategy and Commissioning

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the fourth and final quarter of 2015/16; to present the 2016/17 Risk & Opportunities Management Strategy review; and to provide an update on the Risk Training programme.

1.0 Recommendations

The meeting is recommended:

- 1.1 To review the quarter four Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration or referral to Executive.
- 1.2 To note the revised Risk and Opportunities Management Strategy for 2016/17.

2.0 Introduction

- 2.1 The Council details its approach to managing risk in its Risk and Opportunities Management Strategy 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. A formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities.

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 strategic risk register whilst operational risks are managed at the service and directorate level. 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 Councils' Risk and Opportunities Management 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 Council. 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.

3.3 This Strategy has been reviewed and updated for 2016/17 to better reflect the Councils' risk appetite, attitude to risk and changes to the information management and data collection system that underpins the process. The Strategy is attached as Appendix 3.

3.4 **Fourth Quarter Risk Review** and associated heat maps are attached as appendix 1 and 2 respectively. The register has been reviewed by the risk owners and members of JMT and each risk has commentary included.

3.5 The following table summarises changes to Cherwell District Council's risks and also risks common to both Authorities during the quarter:-

Risk Type/Ref	Risk Name	Comments/Actions
S16 Strategic	Joint Working 2 & 3 Way (Shared)	Risk closed 31/03/16 Following Stratford District Council's decision not progress the three way partnership, this risk will be replaced by a new "Transformation Programme" risk effective from 1 April 2017.
C16 Corporate	Waste Framework Directive (Shared)	Risk closed 31/03/16 The Environment Agency seem broadly satisfied with the approach from local authorities, as such this is no longer considered to be a significant risk and will be managed operationally.
P03 Partnership	Community Safety Partnership (CDC Specific)	Risk closed 31/03/16 This is no longer considered a significant risk and will now be managed at operational level.

3.6 **2016/17 Risk Register** - as part of the business planning process, all strategic, corporate and partnerships risks have been fully reviewed by JMT to ensure the new register reflects current priorities and circumstances.

3.7 As a result of this review three new risks, detailed below, have been identified for inclusion on the 2016/17 register. The full Risk Register will be reported to the Committee as the quarter one review at its meeting on 21 September 2016.

Risk Type/Ref	Risk Name	Risk Description and Reasons for Inclusion
S16 Strategic	Transformation Programme (Common)	Failure to deliver the programme resulting in: <ul style="list-style-type: none"> • failure to deliver savings • non delivery of councils' commercial objectives • reputational damage • failure to improve services and deliver efficiencies This new risk replaces 2&3 Way Working risk following Stratford District Council's decision not progress the three way partnership.
S21 Strategic	Oxfordshire Devolution Deal & Unitary Authority (ODD&UA) options (stage 1)	The Council fails to: <ul style="list-style-type: none"> • grasp the opportunity for transformation/reform across all agencies to benefit the local area and deliver further efficiencies • ensure all stakeholders (internal and external) are engaged and understand options as they emerge • obtain and provide all relevant data to support

		options appraisal resulting in long term negative impact upon better outcomes for our area including quality of life for local residents, economic growth, financial sustainability and on the council's reputation itself.
C16 Corporate	ICT Transformation and Transition (Common)	Failure to deliver the IT transition project programme results in failure to: <ul style="list-style-type: none"> • deliver savings through IT harmonisation • deliver the councils' wider strategic and commercial objectives • reputation damage • improve services and deliver efficiencies • deliver the channel shift programme and enhance customer access • Manage business continuity Risk introduced as critical to the delivery of the Transformation Programme.

- 3.8 **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 and are identified through the development of service plans and project risk logs.
- 3.9 Issues arising from operational or project risks may be escalated via the 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.
- 3.10 **Risk Training** for staff with responsibility for Strategic, Operational and/or Project Risks, was delivered by Price Waterhouse Cooper during April 2016. Sessions were well attended and feedback is being evaluated. A Risk Computer Based Training (CBT) module is being developed to provide on-going risk training for new employees as well as refresher training. This training will be linked to the Induction process.
- 3.11 **2015/16 Risk Audit** is currently being undertaken by PWC. Full details of the audit with outcomes and recommendations will be reported to the Accounts, Audit & Risk Committee at its meeting on 21 September 2016.
- 3.12 **2016/17 Reporting Arrangements** – the Strategic Risk Register will be reported to the Accounts, Audit and Risk Committee on a quarterly basis in accordance with the following timetable:-

Reporting	Committee Meeting
Quarter 1 risk review Audit outcomes and recommendations	Wednesday 21 September 2016
Quarter 2 risk review	Wednesday 30 November 2016
Quarter 3 risk review	Wednesday 22 March 2017
Quarter 4/Year-End risk review Risk & Opportunities Management Strategy review	Wednesday 21 June 2017

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 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 Management Strategy.

7.0 Implications

Financial and Resource Implications

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

Comments checked by: Paul Sutton, Chief Finance Officer
Tel: 0300 0030 106 E-mail: paul.sutton@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 Barry Wood, Leader of the Council

Document Information

Appendix No	Title
Appendix 1	Quarter 4 2015/16 Risk Register
Appendix 2	Quarter 4 2015/16 Heat Map
Appendix 3	Shared Risk and Opportunities Management Strategy
Background Papers	
None	
Report Author	Ed Bailey, Corporate Performance Manager
Contact Information	01295 221605 edward.bailey@cherwellandsouthnorthants.gov.uk

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
S01	Common	Kevin Lane		Resources	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 in October to brief members on new policy and legislative changes and their impact on Business Planning	On-going	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. Quarterly Health & Safety reporting.	3	4	12	Business planning sessions were held with Executive/Cabinet and duly informed the 2016/17 business plans and ensured key members were aware of key new and emerging policy/legislative issues	No legal challenge has been made to any decision by either Council alleging misapplication of the law	The participation of both councils in the unitary council proposals in "Greater Oxfordshire" shows continued corporate awareness of emerging policy issues.	
S02	Common	Paul Sutton		Resources	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. 2016-17 budget broadly balanced at both authorities.		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 Northamptonshire Finance Officers and Oxfordshire Treasurers' Association's work streams Programme management approach being taken	3	4	12	The recent provisional settlement notification and reform of NHB and the strategic agenda around income/commercialisation does not impact on the residual score at this stage.	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 changes to scores or controls	
S03	Common	Paul Sutton		Resources	Capital Investment	Poor investment and asset management results in the councils not maximising financial return or losing income.	Political / Social / Economic	3	4	12	Member Group consideration of Asset Management, core assets and non-core, commenced 28 January 2016. A progress report will be presented at the next Executive meeting.		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 changes to scores or controls	
S05	SNC	Adrian Colwell		Development	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 of life for local residents and communities.	Political / Social / Economic	4	4	16	Joint Core Strategy approved at Joint Planning Committee Highways Agency commitment to upgrade road junction and support Towcester Relief Road All major sites have been consented. SNC discussing outcomes of Route Based Strategies with Highways England		Master planning process Core strategy Economic development strategy Inward investment plan	2	3	6		Planning Policy and Regeneration Strategy Committee	Consultation has begun on Local Plan Part 2A. No change to risk scores, actions or controls	
S06	SNC	Adrian Colwell		Development	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 Parliamentary Committee supported the SNC arguments regarding design in its March 2015 Report. Liaison with HS2 and community groups continues SNC in direct talks with Highways England on A43 implications		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 is an active member of the National Planning and Heritage Forum for HS2. Consideration has begun on whether SNC should become a 'Designated Body' and thus take responsibility for determining the design of each scheme element through South Northants.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
S07	Common	Ian Davies	Belinda Stanton	Community & Environment	Customer Service Improvement (including channel shift)	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	Shared Customer Services team now being implemented. Heavy reliance on transfer of all first point of customer contact functions into the new shared team, new website design to enable channel shift by all services and implementation of end to end on line transactions by all services. These corporate requirements are part of the Transformation Programme, the reviewed ICT work programme and critical to deliver future savings plus the full benefit realisation of the customer services team.		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, project also part of the transformation programme with associated governance. Results of CDC Customer Satisfaction Survey presented to Executive October 2015 and was well received. The Key Services to be Maintained summary instrumental in Business and Service Planning processes. A similar Survey is being prepared for SNC and will go live June/July 2016.	3	3	9		Project governance, performance management reporting, customer insight reporting.	Risk Reviewed : no changes to controls, actions or scores this quarter.	
S08	SNC	Adrian Colwell		Development	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	Consideration of Local Development Order for whole development area with Aylesbury Vale District Council. Liaison with MEPC & Silverstone Circuits continues. MEPC are negotiating with landowners for utilities access Expression of Interest lodged with Highways England		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.	The negotiation of the revised site Masterplan is being led by Development Management to secure the objectives for the development of the site as set out in the Joint Core Strategy and the Development Brief for Silverstone and take account of the split in ownership between the British Racing Drivers' Club (BRDC) and MEPC.	
S09	SNC	Adrian Colwell		Development	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	Local Plan Part 2 "Options" Plan in preparation. Additional resource secured to complete the work.		Partnership working with the Joint Planning Unit 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 policies, plans and resources are in place. Work is well advanced on rural settlements, village confines draft planning guidance and development control policies are underway. A statement of community involvement is in place.	3	4	12		Cabinet and Planning Policy and Regeneration Strategy Committee	Consultation on Local Plan part 2A options is underway, together with a call for sites. Mapping for the Local Plan is being updated.	
S10	CDC	Ian Davies		Community & Environment	Deprivation and Health Inequalities (Brighter Futures)	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	Political / Social / Economic	3	4	12	Brighter Futures 2015/16 priorities established		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. Local Strategic Partnership 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.	3	3	9		Project governance Local Strategic Partnership (LSP) oversight, Quarterly reporting Annual Report	Second multi agency workshop completed focussing on employability. This successful event brought together the secondary and higher education sectors with local employers.	
S11	CDC	Adrian Colwell		Development	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 adopted by Council on 20/7/2015		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		Full Council	Consultation on the Local Plan part 2 Issues and the Local Plan Partial Review has just completed. Responses are being collated and assessed to inform the preparation of the Option stage, to be considered at Executive in September 2016.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
S12	CDC	Karen Curtin		Bicester	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	<p>Planning policy development through Local Plan Eco-Town Project plan & related partnerships.</p> <p>Working with private & public sector partners.</p> <p>Strategic Delivery Board meeting held in October - main agenda item of the bimonthly OCC/CDC Bilateral meetings.</p>		<p>Planning policy development through Local Plan Eco Town Project plan & related partnerships</p> <p>Working with private & public sector partners</p> <p>Programme Board in place</p> <p>Lead Member in place</p>	3	3	9		<p>Programme Governance</p> <p>Performance Management</p>	<p>NW Bicester first phase, now known as Elmsbrook, is under construction and the first 90 properties are due for occupation in Spring 2016. Houses are being built to Code for Sustainable Homes level 5 and are served by a district heating system, all have photovoltaic cells & rainwater harvesting. Provision being made for local bus service, electric vehicles, green space and local management organisation. Work has also commenced on the construction of the school to serve the development and planning permission has been granted for the construction of the local centre. Construction will continue on further phases of the Elmsbrook site.</p> <p>There is a resolution to grant planning permission for 3500 further houses and the realignment of Howes Lane. Two further applications have been presented to the Council's Planning Committee and deferred but are due to be considered further during the next quarter. Work is continuing on the drafting of legal agreements for the NW site which are complex due to the number of planning applications and significant infrastructure required.</p>	
S13	CDC	Karen Curtin		Bicester	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	<p>Project on time for Spring 2016 opening and within budget.</p>		<p>Project manager in lead role</p> <p>Project Board</p> <p>Legal agreements in place</p> <p>Joint venture with the developer (underpinned by legal agreements)</p> <p>Monthly performance / projects reports</p> <p>Resources and technical advice provided as part of the developer agreement</p>	3	3	9		Project Governance	<p>Practical Completion achieved on 29 March and building opened on 4th April 2016.</p> <p>Project delivered within budget and work continues on marketing the space available on the second and ground floor.</p>	
S14	CDC	Karen Curtin		Bicester	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	<p>All actions are on track and being monitored on a bi-weekly basis.</p> <p>The Council has adopted a Local Development Order (LDO) for 197 plots on phase 1.</p> <p>Managing Director appointed.</p>		<p>Project Manager</p> <p>Project Board</p> <p>Companies set up</p> <p>Business Plan and Finance Plan being monitored</p>	3	3	9		Project Governance	<p>Project has moved into delivery phase with the demonstrator site and preparations in place for the launch of phase 1 reservations.</p> <p>The Company maintains a robust risk register that is reviewed at monthly board meetings and quarterly partnering board meetings..</p>	
S15	CDC	Ian Davies		Community & Environment	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	<p>Regular engagement with Oxford University Hospitals Trust (OUHT) via the Community Partnership Network (CPN).</p> <p>Quarterly meetings and engagement in service change processes.</p> <p>Revised terms of reference of the CPN agreed and to commence in 14/15</p>		<p>Support to the OUHT and emerging GP commissioning structure to maintain services</p> <p>Providing evidence of deliverability of consultant delivered services elsewhere</p> <p>Gaining consensus locally that this is important</p> <p>Ensuring local councillors are briefed and engaged to play a community leadership role</p> <p>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.</p>	3	3	9		LSP oversight and annual report to Executive	<p>Good progress on delayed transfers of care from hospital.</p> <p>Strategic review underway of Oxford University Hospitals Foundation Trust's assets and service delivery plans with the intention to invest in the Horton's facilities.</p>	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
S16	3Way	Sue Smith	Claire Taylor	CX	Joint Working 2-Way 3-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 Transformation Challenge Award (TCA) bid.	Resource / Financial / Human	4	4	16	Reviews are taking place to ensure three way services have effective governance and operational arrangements in the light of Stratford District Council (SDC) deciding not to progress with the confederation approach.		Programme Plan Monthly programme updates (to Member working group Transformation Joint Working Group) CEOs to sponsor key elements of the work programme Officer steering group Business case process, joint organisational change policy in place Enhanced Member Engagement Processes	5	3	15		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 From Q1 2015 Joint Commissioning Committee enhances formal governance	Scores remain unchanged to reflect:- • Stratford District Council's decision not progress the three way partnership • Two way programme will result in less savings than three way programme • Uncertainty for ICT and Legal services as transition arrangements take place Risk closed : new Transformation Programme risk from 1 April 2016.	31/03/2016
S17	CDC	Chris Stratford	Azza Rahman	Development	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	Updated milestones have been agreed with the Homes & Communities Agency (HCA) to mitigate any loss of grant. Succession planning for site management and quality control is currently being put in place.		<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 Health & Safety procedures and Construction, Design & Management 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		<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; weekly project reviews 	The BUILD!@ Programme remains on target and the BUILD!@ Project Board are regularly updated on both the development programme and financial position.	
S18	CDC	Karen Curtin		Development	Banbury Development	The sites are complex and in multiple ownership. There are conflicting development pressures and challenges with site viability	Resource / Financial / Human	4	4	16	Effective project Board chaired by the Portfolio Holder and consisting of appropriate Leading Members and senior officers Review of Council owned car parks and associated sites within the Town commissioned and first phase report completed. Second phase including soft market testing of the sites chosen has been commissioned and an interim report presented to Banbury Developments Board in December. The final report is scheduled for the Board meeting early February. Key sites being tested for viability. Adopted Local Plan		<p>Regular meetings of the Project Board</p> <p>Adopted Asset management Strategy and review of Council car park sites</p> <p>Interdependencies map produced showing progress on all major development sites in Banbury</p> <p>Adopted local Plan leading to Completion of Banbury Masterplan and Canalside Supplementary Planning Document (SPD)</p> <p>Soft Market testing of sites to be concluded in February 2016</p>	3	4	12		Regular risk monitoring and review discussions by the project board	The Banbury Developments Project Board has been set up to monitor progress on a number of Banbury related projects. A detailed risk register is kept and reviewed at each meeting including a review of mitigations and any new risks.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
S19	CDC	Chris Stratford		Development	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	Resource Plan update taken to Executive in September 2015. Work being monitored through the Banbury Developments Board and Accommodation Asset Strategy Board. Member Group consideration of Asset Management, core assets and non-core, commenced 28 January 2016.		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		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.	The Asset Management Member Group (AMMG) met for the second time, specifically in respect to community buildings, and have agreed to receive further reports and meet again to continue progress during the middle of May. Score remains unchanged	
S20	Common	Ed Potter		Community & Environment	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	Meetings with UPM, Procurement & Legal Use of legal advisors Working with Aylesbury Vale and SNC		Legal, Procurement & financial advice	3	4	12			Risk reviewed and remains unchanged - relationship with UPM is satisfactory but this can change quite quickly	
C01	Common	Ian Davies	Jackie Fitzsimons	Community & Environment	Business Continuity	Plans are not in place and assumptions are made about the Disaster Recovery (DR) arrangements in the event of a Business Critical (BC) incident, leading to failure 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 Joint Management Team lead identified Incident management team identified All services undertake annual business impact assessments	4	3	12		There is a systematic project in place focusing on critical services to ensure that absolute requirements can be met; planned testing to be arranged. Audit and business continuity plan refresh Quarter 4	No change from Q3 as two way ICT progresses; priority has been flagged with external consultants; recruitment of dedicated resource has commenced as Public Protection business case progresses.	
C02	CDC	Jo Pitman	Nick Thrustle	Resources	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 ICT Project Team established to review all Disaster Recovery (DR) and Business Continuity (BC) arrangements across the three councils.		BCP Plan Disaster recovery (DR) arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	3	9		Formal auditing, ICT Health check and benchmarking with best in private and public sector.	No change. A wide strategic view is to be taken with the changes to the ICT Service provision.	
C03	SNC	Jo Pitman	Nick Thrustle	Resources	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	ICT Project Team established to review all Disaster Recovery (DR) and Business Continuity (BC) arrangements across the three councils.		BCP Plan Disaster recovery (DR) arrangements (Limited) Back up of systems Process and standards (compliance regime) Achieved ISO 22301	3	4	12		Formal auditing, ICT Health check and benchmarking with best in private and public sector.	A white paper for consideration to changes and approach will be forthcoming (June 2016) that will look to make better use of current assets and technology.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
C04	Common	Paul Sutton		Resources	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	No update on actions required		Risk reviewed, no changes to scores or controls	
C05	Common	Jo Pitman	Lou Tustian	Resources	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 undertaken during quarter 3 Managing data and Information is linked to one of the transformation workstreams.		Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place	3	3	9		Audit, data quality checks as part of performance management framework.	Risk reviewed and no change during Q4. A review of the data quality policy in line with Workstream 5 (Strategic Information Requirements' across both councils) will commence early 2016.	
C06	Common	Kevin Lane		Resources	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. Induction training for SNC members and new members at CDC plus planning training at both Councils in May.		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	Member concerns at SNC concerning access to agenda information during meetings via their tablets have been addressed via the issue of guidance from the Head of Transformation and the portfolio holder. Interim changes have also been made to the Democratic/Elections team's method of despatch of exempt agenda papers to members to ensure proper access.	No decision has been made by either Council which is inconsistent with the policy framework or legal requirements	Both councils continue to take lawful and effective decisions.	
C07	SNC	Chris Stratford	Chris Stratford	Development	Moat Lane Relocation and Change (MLR)	Car Parking provision in Towcester	Customer Citizen / Service Delivery / Operational	4	3	12	Phase 1 completion due week commencing 8 February 2016		Report received and considered by members. Decision made to proceed with initial phase for the development of 60 car parking spaces on Northampton Road. All Environment Agency planning issues resolved, and subject to satisfying minor planning conditions associated with development of site, construction to commence middle of Sep 2015. Project board advised of latest, and will continue to monitor.	3	3	9			Phase 1 and 2 of the long Stay Tove Car Park has been completed in total. Phase 1 consisting of approx 60 spaces has now been opened and the remaining phase 2 facility is currently not in use and subject to the Brackley Road improvements.	
C09	SNC	Kevin Lane	Kevin Lane	Resources	High proportion of new members	Whole council elections lead to a high influx of new members who are initially unfamiliar and uninformed thereby having a negative effect on decision making quality	Legal & Professional	4	4	16	Induction training in May with more topic based training scheduled. Planning training also in May. Provision of IT tablets to all members enabling self research		Requirement to attend induction training to be imposed via political groups. Record of induction attendance to be retained. No member entitled to sit on Development Control Committee or Licensing Sub Committee without prior mandatory training	3	4	12	Induction training completed and all tablets rolled out	No successful legal challenge has been made to any decision by the Council alleging misapplication of law or policy by any members.	Decision making quality appears to continue to be sound. Risk closed : only of strategic significance in year 1 of new council.	31/03/2016
C10	Common	Jo Pitman	Janet Ferris	Resources	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. Shared Communications & Marketing team business case approved and recruitment of the Corporate Communications and Marketing Manager has concluded with recruitment into the remaining posts within the team now underway.		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 SNC Portfolio Holder for communications CDC member lead for communications Quarterly performance reporting CDC annual satisfaction survey includes comprehensive communications section	The communications team work alongside the Chief Executive, Directors, Heads of Service and Team Leaders to monitor any potential negative activity and develop a mitigation strategy and lines to take. During Q4 a social media policy has been developed for SNC and approved by the Communications Panel. The same protocols are being applied at CDC. Social media continues to be monitored outside of hours on an informal basis and this will be monitored ever further once the implementation of the shared Communications and Marketing team has been completed.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
C11	Common	Jo Pitman	Caroline French	Resources	Equalities	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	Legal & Professional	4	4	16	2015/16 Equality Action Plan published Milton Keynes Equality Council (MKEC) commissioned for hate crime reporting.		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 "Knowing our Communities" at both CDC and SNC	3	4	12	A new IbeX stair climber chair to improve emergency exit at The Forum is now in place with relevant staff trained. Further training is being scheduled to improve resilience. A portable lift has also been purchased and is now available for use.	Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.	Each Council maintains its controls through Equality Action Plans and Equality Impact Assessments, rolling Plans linked to service planning and quarterly performance reports. The annual review is currently taking place, monitoring performance over the previous 12 months and an "Areas for Development" document will be presented to Executive/Cabinet in July 2017. Risk probability score has reduced following accessibility improvements at the Forum.	
C12	Common	Jo Pitman	Dave Bennett	Resources	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	Both CDC and SNC certified to international standard BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard thus demonstrating a commitment to the development and improvement across the organisation. On-going external audits to ensure that the levels attained regarding each standard continues to be maintained.		Both Councils have shared 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	2	5	10		BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard.	There are no changes to the identified risk.	
C13	Common	Ian Davies	Jackie Fitzsimons	Community & Environment	Emergency Planning (EP)	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 Business Continuity Plans (BCP)		Emergency plan reviewed quarterly and on activation. Team established to monitor and ensure all elements are covered. Added resilience from cover between CDC and SNC	3	4	12	Plans to improve access to plan out of hours ; control room at SNC now agreed; Impact of withdrawal of Northants County Council emergency planning service needs to be assessed	Oxfordshire County Council (OCC) EP Division have accepted our EP as being sufficient and suitable. OCC have also led on desk top studies of implementation.	As part of implementation of the Public Protection business case, we are currently recruiting shared 0.6 FTE Emergency Planning Liaison Officer and have appointed Safer Communities Manager with dedicated resource for Emergency Planning. Existing council arrangements will remain in place to ensure resilience. Northamptonshire County Council have been approached to seek clarity on impact of their recent restructure and to explore a better way to work in future. For CDC, Oxfordshire County Council support remains unchanged and satisfactory arrangements are in place. This shared risk will be separated into specific risks for each Council from 1 April 2016.	
C14	Common	Ian Davies	Nicola Riley	Community & Environment	Safeguarding	Failure to:- identify safeguarding concerns and issues; use agreed protocols for escalating safeguarding concerns; use diverse community intelligence to best effect internally and externally.	Political / Social / Economic	4	4	16	Internal "See It Report It" process established and operational Safeguarding leads meeting instigated to capture issues and identify trends		Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group. Engagement at an operational and tactical level with relevant external agencies and networks	2	4	8		The established "See It Report It" process has controls and monitoring arrangements for different levels in the organisation for assurance purposes	2015/16 has seen the completion of the joint internal safeguarding review. There have been several recommendations adopted and moves to begin others are planned. The introduction of 'See it; Report It' and the regular Safeguarding leads meeting have been significant achievements. A joint data awareness week has highlighted good practice to staff.	

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
C15	Common	Ian Davies	Nicola Riley	Community & Environment	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	Simplified training pathway established for all staff using some e-training, some face to face. Independent Review undertaken Section 11 returns completed for both Authorities		Safeguarding lead in place and clear lines of responsibility established. Safeguarding Policy and procedures in place Information on the intranet on how to escalate a concern Staff training - at SNC this is being rolled out using new NCC e-training module. Safer recruitment practices and DBS checks for staff with direct contact Action plan developed by CSE Prevention group as part of the Community Safety Partnership Local Safeguarding Children's Board Northamptonshire (LSCBN) pathways and thresholds Data sharing agreement with other Partners Attendance at Children and Young People Partnership Board (CYPPB) Annual Section 11 return complied for each council	1	5	5		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.	The internal review action plan has highlighted some priority areas for both Councils, which are being actioned. There is a much greater focus on Safeguarding and higher levels of general awareness; training staff and members will be a priority in 2016/17 along with developing systems to monitor training.	
C16	Common	Ed Potter		Community & Environment	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	Environment Agency (EA) gathering data on Councils regarding TEEP in April 2015. If there are concerns the EA will be in touch.		Working with other Authorities using the Waste and Resources Action Programme (WRAP) Route Map.	1	4	4		Cabinet / Executive Reports	No change from Q3. Environment Agency seems broadly satisfied with the approach from local authorities. Risk closed : no longer significant risk, will be managed operationally.	31/03/2016
P01	SNC	Ian Davies	Jackie Fitzsimons	Community & Environment	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	Recent withdrawal of Police and Crime Commissioner funding for the Partnership means that there is a significant funding gap and the sustainability of the partnership "as is" is questionable; Report to CSP in September and will be addressed by Public Protection shared services		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.	4	2	8		Report to SNC CSP in September and will be addressed by Public Protection shared services business case CSP Forward Plan established. Regular (monthly) updates on performance reported to the CSP.	Shared services business case progressing. No change to risk actions, controls or scores. Risk closed : no longer considered significant and will be managed at operational level.	31/03/2016
P02	SNC	Ian Davies	Jackie Fitzsimons	Community & Environment	Police and Crime Commissioner (PCC) (Northamptonshire)	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	Recent withdrawal of Police and Crime Commissioner funding for the Partnership means that there is a significant funding gap and the sustainability of the partnership "as is", is questionable; report to CSP in September and will be addressed by Public Protection shared services		Effective local Community Safety Partnership (CSP) meetings Elected member representation at Police and Crime Panels (PCP) Elected Member representation at Northamptonshire Board Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP Steering Group Policy	4	2	8		Report to SNC CSP in September	No changes required this quarter	
P03	CDC	Ian Davies	Jackie Fitzsimons	Community & Environment	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	CSCP is re writing action plans to include Prevent and CSE		Attendance at CSCP meetings Funding secured 2015-16 OSCB business plan approved PCC priorities updated	2	2	4		PCC / OCC to audit spending CSP reports to OSCP and subject to CDC , PCC and PCP scrutiny	The risk has been reviewed and there are no changes this quarter. Risk closed : no longer considered significant and will be managed at operational level.	31/03/2016

Ref No	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	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	Q4 Review	Date Closed if applicable
P04	CDC	Ian Davies	Jackie Fitzsimons	Community & Environment	Police and Crime Commissioner (PCC) (Thames Valley)	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 funding in place for 2015/16		Effective local Community Safety Partnership meetings Elected member representation at Police and Crime Panels (PCP) Elected Member representation at 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 and no changes to scores	
P05	CDC	Adrian Colwell		Development	Oxfordshire LEP (OLEP)	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	Engagement on inward investment , EU projects and SEP refresh		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12		Portfolio briefing Growth Board Regular liaison meetings with OLEP	The OXLEP Strategic Economic Plan (SEP) is being refreshed. CDC have sought to ensure that the new SEP draws on the adopted Cherwell Local Plan and provides sufficient focus on growing Banbury and Bicester in accordance with it, together with ensuring funding is released for critical infrastructure.	
P06	SNC	Ian Davies	Nicola Riley	Community & Environment	Health and Wellbeing Partnership	Failure of the new partnership arrangements results in South Northamptonshire Council not being able to meet its safe and healthy objectives.	Political / Social / Economic	4	3	12	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. SNC Health and Wellbeing forum established and well received.		All staff at both Councils are involved in an awareness session	3	3	9		Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	First for Wellbeing will launch on 1st April 2016. Consultation is currently underway on children's centres and plans to cut the provision in SNC area by 47% rather than the countywide average of 30% are being rebuffed. It is still unclear how the new structures will provide access to services at a local level and ensure health inequalities reduce.	
P07	CDC	Ian Davies	Nicola Riley	Community & Environment	Health and Wellbeing Partnership	Failure of the new partnership arrangements results in Cherwell District Council not being able to meet its safe and healthy objectives.	Political / Social / Economic	4	3	12	Senior Officer engagement at Countywide Health and wellbeing board. Oxfordshire County Council public health and Oxfordshire Clinical Commissioning Group (OCCG) both members of the Local Strategic Partnership Workshop held in Q3 2016		Engagement with County Council structures Oxfordshire has a clear structure and acknowledges the need for the District Council's direct contribution. Financial constraints to the delivery of the Health & Wellbeing Board action plan	3	3	9		Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	The opportunities Cherwell has to influence partnership agendas are now well established; the Community Partnerships Network, the Local Strategic Partnership and membership of the Oxfordshire Health and Wellbeing Board. Continuing cuts to County Council expenditure are changing the service landscape for residents and every opportunity is taken to advocate for services for the most disadvantaged areas. The significant growth in both major towns will impact on service provision. A "Healthy Town" status for Bicester has been awarded which will see a programme of development decisions allied to physical activity and spatial planning.	
P08	Common	Adrian Colwell		Development	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 Engagement in Chief Exec Group, Rural Group & ED Officers Convened Conference on Better Regulation EU funding bids lodged		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12		Business Advisers are being recruited with European Regional Development Fund (ERDF) funds. The Business Advisers will ensure that SEMLEP Velocity support for business growth is properly accessible in rural South Northants.		
P09	SNC	Adrian Colwell		Development	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	JPU scaled back following adoption of Joint Core Strategy		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	The focus for SNC is on the development of Local Plan Part 2A. Early consideration is being given to the review of the Joint Core Strategy that is to commence in 2017 and will include consideration of additional land release for housing and employment growth.	

This page is intentionally left blank

Q4 RISK HEAT MAP : INHERENT RISK

Likelihood (Probability)

		Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
Impact	Catastrophic (5)	5	10	15 S17 : CDC Build! ® Programme	20 S01 : Policy & Legislative Change S04 : SNC Moat Lane Phase 2 Exempt S09 : SNC Local Plan S11 : CDC Local Plan C01 : Business Continuity C12 : Health and Safety C15 : Safeguarding Children	25 S06 : SNC HS2
	Major (4)	4	8	12 S03 : Capital Investment S10 : CDC Brighter Futures S13 : CDC Bicester Town Centre Dev S14 : CDC Graven Hill C13 : Emergency Planning C16 : Waste Framework Directive	16 S02 : Financial Resilience S05 : SNC Managing Growth S08 : SNC Silverstone Master Plan S12 : CDC NW Bicester (Eco Town) S15 : CDC Horton Hospital S16 : Joint Working (2 & 3-Way) S18 : CDC Banbury Development S19 : CDC Asset Management S20 : Dry Recycling Contract C02 : CDC ICT Loss of Systems C03 : SNC ICT Loss of Systems C04 : Corporate Fraud C05 : Managing Data/Information C06 : Member Decision Making C09 : SNC High proportion of new Members C10 : Communications C11 : Equalities C14 : Safeguarding P05 : CDC Oxfordshire LEP P08 : South Midlands LEP P09 : SNC Joint Planning Unit	20
	Moderate (3)	3	6	9 P01 : SNC Community Safety P'ship P02 : SNC Police Crime Commissioner P03 : CDC Community Safety P'ship P04 : CDC Police Crime Commissioner	12 S07 : Customer Service Improvement C07 : SNC Car Parking Towcester P06 : SNC Health & Wellbeing Board P07 : CDC Health & Wellbeing Board	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5

Q4 RISK HEAT MAP : RESIDUAL RISK

Arrows indicate direction of travel compared with Q3 2015/2016

Likelihood (Probability)

	Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)	
Impact	Catastrophic (5)	5 ⇔ C15 : Safeguarding Children	10 ⇔ C12 : Health and Safety	15 ⇔ S04 : SNC Moat Lane Phase 2 Exempt	20	25
	Major (4)	4 ⇔ C16 : Waste Framework Directive	8 ⇔ S19 : CDC Asset Management ⇔ C14 : Safeguarding	12 ⇔ S01 : Policy & Legislative Change ⇔ S02 : Financial Resilience ⇔ S09 : SNC Local Plan ⇔ S11 : CDC Local Plan ⇔ S17 : CDC Build! @ Programme ⇔ S18 : CDC Banbury Development ⇔ S20 : Dry Recycling Contract ⇔ C03 : SNC ICT Loss of Systems ⇔ C04 : Corporate Fraud ⇔ C06 : Member Decision Making ⇔ C09 : SNC High proportion of new Members ⇔ C11 : Equalities ⇔ C13 : Emergency Planning ⇔ P05 : CDC Oxfordshire LEP ⇔ P08 : South Midlands LEP	16	20
	Moderate (3)	3	6 ⇔ S03 : Capital Investment ⇔ S05 : SNC Managing Growth	9 ⇔ S07 : Customer Service Improvement ⇔ S10 : CDC Brighter Futures ⇔ S12 : CDC NW Bicester (Eco Town) ⇔ S13 : CDC Bicester Town Centre ⇔ S14 : CDC Graven Hill, Bicester ⇔ S15 : CDC Horton Hospital ⇔ C02 : CDC ICT Loss of Systems ⇔ C05 : Managing Data & Information ⇔ C07 : SNC Car Parking Towcester ⇔ C10 : Communications ⇔ P06 : SNC Health & Wellbeing Board ⇔ P07 : CDC Health & Wellbeing Board ⇔ P09 : SNC Joint Planning Unit	12 ⇔ C01 : Business Continuity	15 ⇔ S16 : Joint Working 2 & 3-Way
	Minor (2)	2	4 ⇔ S08 : SNC Silverstone Masterplan ⇔ P03 : CDC Community Safety P'ship ⇔ P04 : CDC Police & Crime Comm	6 ⇔ S06 : SNC HS2	8 ⇔ P01 : SNC Community Safety P'ship ⇔ P02 : SNC Police & Crime Comm	10
	Insignificant (1)	1	2	3	4	5



Shared Risk and Opportunities Management Strategy

2016/17

CONTENTS		
Section 1	Introduction	Page 3
1.1	An overview of Risk Management	3
1.2	Benefits of Risk Management	3
1.3	Strategy Objectives	4
1.4	Risk Appetite	4
1.5	Embedding Risk Management	5
Section 2	Risk Management Processes	6
2.1	The Risk Management Process	6
2.2	Identifying Risk & Opportunity	6-9
2.3	Assessing Risk	9-10
2.4	Managing and Controlling Risk	10-11
2.5	Reviewing and Reporting on Risk	11
2.6	Linking risk to business plans and performance	12
2.7	Linking risk to programmes and projects	12-13
Section 3	Roles and Responsibilities	14
3.1	Accountability	14
3.2	Council Committees	14-15
3.3	Section 151 Officer	15
3.4	Joint Management Team	15
3.5	Corporate Performance & Insight Team	15
3.6	Team Managers, Officers and Staff	16
3.7	The Performance and Risk Working Group	16
Section 4	Monitoring and Review	16
4.1	Annual Review of the Risk Strategy	16
4.2	Quarterly Monitoring of the Strategy and Register	16
4.3	Internal Audit	17
4.4	External Audit and Review	17
Section 5	Corporate Governance	18
5.1	Annual Governance Statement	18
5.2	Statements of Assurance	18-19
Section 6	Contacts and Further Guidance	19
6.1	Contacts	19
6.2	Supporting Documents / Guidance	19

Section 1: Introduction

1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District and South Northamptonshire councils.

The fundamental aim of the risk management strategy is to help both councils identify and manage risk especially with regards to those risks (both financial and non-financial) that pose a threat in terms of the organisations meeting their objectives, but also in terms of risks that have an impact on the operation of the business or may impact on services, programmes or projects.

Risk management is recognised as being concerned with both the positive and negative aspects of risk; that is to say opportunities as well as threats. This strategy therefore applies to risk from both perspectives.

Risk, can therefore be defined as:

“an uncertain event or set of events that, should it occur will have an effect (positive or negative) on the achievement of the councils’ objectives, performing its duties or meeting the expectations of its stakeholders”

Both organisations are aware that risks will always arise and most risks can not be fully eliminated, only managed to an acceptable level. Within this context the councils’ are committed to managing risk in order to reduce the impact on the organisations their priorities and on service provision.

Risk management will be embedded within the daily operations of the councils, from strategy and policy formulation through to business planning and general management processes. It will also be applied where the councils work in partnership with other organisations, to ensure that partnership risks are identified and managed appropriately.

Through understanding risks, decision-makers (councillors and managers) will be better able to evaluate the impact of a particular decision or action on the achievement of the councils’ objectives.

1.2 Benefits of Risk Management

Effective risk management is an important part of corporate governance and performance management. It adds value by:

- raising awareness of significant risks with priority ranking assisting in the efficient control of the risks
- allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- aiding the process of strategic and business planning
- identifying new opportunities and supporting innovation
- providing a framework for the for the effective management of significant risks
- aiding effective partnership working, particularly in terms of identifying shared risks

1.3 Strategy Objectives

The objectives of the Risk and Opportunities Management Strategy are to:

- maintain a register that identifies, assesses and ranks all significant risks and opportunities facing both councils, which will assist the councils in achieving their objectives through pro-active risk management
- rate all significant risks in terms of likelihood of occurrence and potential impact upon the councils and ensure effective controls are in place to mitigate significant risks
- allocate clear roles, responsibilities and accountability for risk management
- facilitate compliance with best practice in corporate governance, which will support the Annual Governance Statements (issued with the annual statement of accounts)
- raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control
- ensure that good quality risk information is provided to senior managers and Members (link to the data quality strategy)
- Provide a framework for assurance, that is that the controls identified to mitigate a risk are operating effectively

1.4 Risk Appetite

Risk management should not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. Both councils' aim to proactively identify, understand and manage the risks inherent in services and associated with plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to achieve measurable value. The councils provide for a supportive culture but will not support reckless risk taking.

As such, both Cherwell District and South Northamptonshire Councils will use risk management to add value. They will aim to achieve a balance between under-managing risks (i.e. being unaware of risks and therefore having little or no control over them), and over-managing them (i.e. a resource heavy and bureaucratic level of management and control which could stifle innovation and creativity).

Appropriately managed and controlled risk-taking and innovation will be encouraged where it supports the delivery of the councils' objectives and priorities.

1.5 Embedding Risk Management

Risk Management is a standing item on the Joint Management Team agenda and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted regularly. The SNC Audit Committee and the CDC Accounts, Audit and Risk Committee receive quarterly risk management updates and review the strategic risk register annually. This scrutiny of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects. Key risk management activities should be included within service plans and progress monitored. As such the integration of risk into business planning, corporate objectives and performance management is an essential part of the drive to embed risk management.

Activities such as training, communication and clear risk management support arrangements help to embed risk. The following summarises key activities undertaken to ensure risk management is embedded across the councils.

1. A quarterly process of risk review covering both the strategic and operational risk registers is presented to relevant council committees to ensure Councillors have good access to risk information
2. Risk management awareness training sessions will be facilitated for Councillors and employees. Members of the committees with specific responsibility for the management of risk will be offered dedicated training events. The potential of risk management awareness to be included on induction programmes will be explored.
3. An internal audit of risk management will take place annually.
4. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
5. Support is available to risk owners when assessing new risks. The 'bow tie' risk analysis model is available to use as part of the process.
6. A process of annual review is undertaken by the Joint Management Team to ensure the risk register remains up to date and that obsolete risks are removed.
7. Officer working groups as required to embed, review or develop risk practices.
8. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Section 2: Risk Management Processes

2.1 The Risk Management Process

Risk Management follows a four stage process. Identifying risks, assessing risks, managing and controlling risks and reviewing and reporting risks.



Each of these four stages is set out in more detail (paragraphs 2.2 - 2.5) and in the accompanying risk management handbook.

The most significant feature of this process is that risk management is seen as a comprehensive management process that helps both organisations meet their objectives and avoid issues, losses and situations that could result in failing to meet strategic priorities, failure of corporate systems or failure of significant partnerships, services, programmes and projects.

To ensure this process is effectively undertaken the councils maintain and review a register of their strategic, corporate and partnership risks and opportunities and where possible link them to strategic business objectives. Ownership is assigned for each risk. The Joint Management Team identifies risks and reviews the register and both councils have committees that also undertake a monitoring and oversight role.

2.2 Identifying Risk and Opportunity

The process of identifying risk is both formal (as part of business and project planning – Strategic/Corporate/Partnership)) and also informal, as part of everyday activity (Operational). This section sets out the organisational process for identifying risk, however it must also be recognised that Members and staff should be risk aware and as such may identify, assess and add a risk to the register at any time.

For each risk identified the following should be considered:

- An assessment of each risk for its likelihood and impact
- The identification of mitigating (key) controls currently in place
- The assurances on the key controls that have already been established
- Gaps in keys controls
- Gaps in assurance
- Appropriate management actions and allocation of responsibility for the implementation of further mitigating management action and (where possible) an implementation date

For each opportunity identified the following should be considered established:

- Details of the opportunity identified
- Allocation of responsibility for the opportunity
- Any additional risks that this opportunity raises (including financial)
- Actions necessary to make use of the opportunity and mitigate risks, if appropriate.

Identifying different types of risk:

Strategic Risks: defined as those that are significant in size and duration that will impact on the reputation and performance of the councils' as a whole and in particular on its ability to deliver their strategic priorities.

Corporate Risks: risks that apply to corporate systems or processes that underpin the organisations' overall governance, operation and ability to deliver services.

Partnership Risks: risks that apply to a significant partnership meeting its objectives or delivering agreed services/ projects.

Taken together strategic, corporate and partnership risks form the basis of both councils' strategic risk registers. Generally these risks are owned by a JMT member but on occasion may be devolved to a senior manager to oversee.

These core risks will be fully reviewed by JMT on an annual basis in the fourth quarter as part of the business planning process for the forthcoming year and provides a clear opportunity to identify new risks and opportunities. The result of this discussion will also be considered by the relevant council committees. At any point in the year JMT and council committees may identify new risks. If this is the case the risk assessment method is followed and the corporate performance team adds the risk to the register.

Operational / Service Risks

Operational risks should be identified and owned by the service management team, led by the head of service. The annual service planning process provides an opportunity to fully review all current operational risks and delete risks that are no longer relevant and identify any new risks. However, the identification of risk is not limited to a single point in the year and new risks may be added at any time.

The corporate performance team is able to support services by running risk workshops as required. Performance and risk champions in service areas may also help to identify risks and directors should encourage heads of service to identify and manage operational risks by reviewing risks at departmental/directorate management team meetings (it is recommended that risk and performance are reviewed at the departmental level on at least a quarterly basis and that new risks are considered as part of this process).

Programme / Project Risks

Risk management should be incorporated into programme and project management right from the outset. The size and scope of the project will dictate the best way of managing the risks. However, all programmes/projects must undertake full risk assessments.

All significant programmes and projects should use a risk log which will be managed by the programme/project manager and reviewed by the relevant board.

For programme and projects which are likely to have an impact on the councils' ability to meet its strategic objectives or have a budgetary impact of over £100,000 the additional requirements are in place:

- The high level risk and its controls will be recorded and managed through the councils' strategic risk register. Detailed risks associated with the programme/project will be recorded in its risk log.
- Risk should be a frequent item on each programme/project board meeting to review existing risks and the effectiveness of their controls and to identify any new risks.
- Risk management in programmes and projects will be supported as necessary by the Programme Manager and the Corporate Performance manager.

For minor projects (low value or single service based) a risk log should still be maintained as part of good project management. However, it is unlikely that the project risks will appear on the councils' strategic risk register unless they have the potential to have significant reputational, health and safety or service provision risks, or the potential loss could exceed £100,000. If this is the case then the approach set out above with regards to significant programme / project risks should be followed.

Shared risks

A risk can be described as shared when it has an impact on both organisations' priorities/services (although it may not be an equal impact), when both organisations must work together to mitigate and control it or when it is escalated to a joint service or programme/project. If a risk is identified as shared it will appear on both councils' risk registers.

2.3 Assessing Risk

Once a risk has been identified (of any type, strategic, operational or project) it needs to be assessed. The assessment process considers the likelihood that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised, as not all risks represent equal significance to the councils.

The councils' use a risk scoring matrix to work out the inherent risk score (likelihood' times the 'impact'). The inherent risk score helps to make decisions about the significance of risks to the organisations, how they will be managed, the controls required and the treatment of the risk.

The owner of the risk undertakes this assessment. For strategic risk this is checked by the corporate performance team, for programme/ project risks by the relevant board and for operational risk by the Head of Service.

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	5 =	10 ↑	15 ↑	20 ↑↑	25 ↑↑
	4 Major	4 =	8 ↑	12 ↑	16 ↑↑	20 ↑↑
	3 Moderate	3 =	6 =	9 ↑	12 ↑	15 ↑
	2 Minor	2 =	4 =	6 =	8 ↑	10 ↑
	1 Insignificant	1 =	2 =	3 =	4 =	5 =

NB inherent risk is sometimes referred to as gross risk.

The risk management process guide and 'new risk template' explain in greater detail what makes up the likelihood and impact scores.

The inherent risk score will determine how the risk is controlled and managed with treatment, toleration, transfer and terminate the main options (2.4 refers).

Once controls and actions to mitigate the risk have been identified a net risk score should be assessed. The inherent and net risk scores, along with the controls and actions then form the basis of the quarterly review.

Organisational risk profile

Once strategic risks and mitigating controls/actions have been assessed the results are then plotted on a risk matrix which is included as part of the strategic risk register. Service/projects risks may be plotted in a similar way if required.

Sources of additional information

To support the assessment of risk there is a simple risk management guide, a template to set up the risk, and a risk analysis tool (the risk bow tie) that can be used in groups or individually to help assess the nature and impact of the risk. The corporate performance team will also provide support as required.

2.4 Managing and Controlling Risk

Once risks have been identified and assessed, the next step is to control and manage them. This will involve the consideration of cost-effective action, which is aimed to reduce the inherent risk rating. These management actions should be focussed on gaps in terms of risk controls and assurance.

The proposed action(s) to control the risk will then be mapped against the specified risk together with an implementation date, and a named person will be designated as responsible for 'owning' the risk. The 'net' risk rating is the assessment of the risk after these controls/actions have been put in place.

These actions/controls should be included in risk documentation and/or service plans. Where a risk is associated with a programme or project it should be entered into the relevant risk log.

Managing risk is an on-going process and the commentary provided as part of the quarterly risk review process should reflect the activity taken within the quarter to control the risk.

The Four T's

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational. The risk owner has a number of options:

Tolerate: The councils' may tolerate a risk where:-

- The risk opens up greater benefits
- These risks must be monitored and contingency plans should be put in place in case the risks occur.
- The risk is effectively mitigated by controls, even if it's high risk
- The risk cannot be mitigated cost effectively

Treat: This is the most widely used approach

The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through either containment actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or contingency actions (these are put into action after the risk has happened, reducing the impact. These must be pre-planned).

Terminate: Doing things differently and therefore removing the risk.

This is particularly important in terms of project risk, but is often severely limited in terms of the strategic risks of an organisation.

Transfer: Transferring some aspects of the risk to a third party.

For example via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against.

2.5 Reviewing and Reporting on Risk

As a minimum a quarterly process of reviewing and reporting on risk will be undertaken and where necessary the risk will be reviewed more frequently. This review involves consideration of all significant risks facing both councils, with risks broken down into strategic, which could impact on the achievement of council objectives, corporate risks which could impact across more than one service, and significant partnership risks.

The review should focus on four key factors:

1. whether there are any changes to the inherent/residual risk scores
2. whether new controls or actions are required
3. to what extent are there any gaps in the assurance of identified controls
4. whether the risk is still relevant

Operational/service risks and programme/project risks will be monitored and reviewed locally, on a quarterly basis. Operational/service risks will be health checked by the corporate performance team at least twice a year. Programme and project risks will be owned and reviewed by the relevant board.

All risks will be clearly defined together with the controls that currently exist to manage them. Risk ratings will be reviewed and where relevant commentary to identify progress against planned action or any emerging issues.

It is important that the internal systems and procedures in place are adequate to manage the identified risk. Where control weaknesses are identified, these should be noted so that action can be taken to remedy such weaknesses. Action to address these weaknesses should be included within the report.

2.6 Linking risk to business plans and performance

Linking Strategic Risk to Council Business Plans

The Strategic Risk and Opportunities Register is owned and monitored by JMT and managed by the corporate performance team. Where appropriate risks will be associated with council priorities and objectives (n.b. the priorities of one or both councils). On occasion a risk may sit outside a council priority, for example where it affects all priorities or has whole organisation impact (e.g. the risk of systems failure).

Incorporating Operational Risk into Service Plans

Each service is required to produce a service plan on an annual basis. The format of the service plan is common across the two councils and ensures there are clear links between council priorities and objectives and service deliverables.

Each service plan is required to identify operational risks associated with service delivery and ideally they should be directly linked to service priorities. Likewise actions to control risks should be included within the service plan or the risk documentation itself.

Responsibility for monitoring operational risk lies with the Head of Service and service managers.

Integrating Risk and Performance Management

Performance and risk will follow the same quarterly monitoring regime and performance risks will be clearly highlighted in reports. Where possible risk monitoring information will be captured using the same process as performance information.

2.7 Linking risk to programmes and projects

Programme and projects adhere to the agreed corporate risk management strategy. It is recognised that the risk environment is different within programmes and projects and frequently risks are identified, actioned and closed on a faster basis than within the strategic risk environment where risks are linked into longer term strategic objectives rather than projects moving within shorter delivery timescales.

Programme or project risks may be escalated to the strategic risk register if they reach a point where they have a significant financial, reputational or strategic impact.

Risk Management responsibilities in project environments

Corporate Management (JMT)	Responsible for providing and ensuring adherence to the Corporate Risk and Opportunity Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Director	Accountable for risk management actions agreed at DMT following escalation from project within the Directorate
Project Sponsor	<ul style="list-style-type: none"> • Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project • Ensures all risks associated with the project business case are identified, assessed and controlled • Triggers an escalation
Senior user/customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled
Project Manager	<ul style="list-style-type: none"> • Creates the project-specific risk management approach as directed by the sponsor • Responsible for creating and maintaining the risk register in line with requirements of the Corporate Risk and Opportunity Strategy, ensuring risk identification, assessment and control measures are implemented.

Section 3: Roles and Responsibilities

3.1 Accountability

There will be clear accountability for risks and risk management. This is supported through each councils' Annual Governance Statement signed by the Chief Executive and the Leader of the Council, and by making both councils' risks and risk management process open to regular Member overview, internal audit and external inspections.

The overall responsibility for the effective management of risks rests with full council (at CDC and SNC) and the SNC Cabinet/CDC Executive (lead member/portfolio holder) as advised by its senior management. The overall risk champions at each council are the Director of Resources (as the Joint Management Team lead) and the Chairman of the SNC Audit Committee and the CDC Accounts, Audit and Risk Committee.

The CDC Accounts, Audit and Risk Committee and the SNC Audit Committee have specific responsibility for monitoring the councils' risk management arrangements, for undertaking an annual review of this strategy to ensure it remains current and up to date and reflects current best practice in risk management, and for making recommendations to the Cabinet/Executive if it is considered that any improvements or amendments are required.

CDC Executive Members and SNC Portfolio Holders will be briefed regularly by Heads of Service to ensure they are aware of significant risks affecting their service areas/portfolios and any improvements in controls which are proposed.

Sections 3.2 and 3.3 of this strategy outline specific Councillor and Officer accountabilities and responsibilities with regards to risk management.

3.2 Council Committees

Audit Committee (South Northamptonshire Council)

The committee will monitor the effective development and operation of the council's risk management, including consideration of the risk register. The committee provides independent assurance to the Council on the effectiveness of risk management and internal control arrangements and performance effectiveness to the extent it affects exposure to risk and to inform the Annual Governance Statement.

Accounts, Audit and Risk Committee (Cherwell District Council)

The committee will ensure that corporate governance arrangements (including risk) are in place, they consider the statement of assurance and monitor the effectiveness of risk management. The committee also commissions the risk management strategy and endorses it for Executive to adopt.

Cabinet (South Northamptonshire District Council)

The South Northamptonshire Cabinet will receive a quarterly update on risks in relation to performance as part of the performance exceptions report.

Executive (Cherwell District Council)

The Cherwell District Council Executive will receive a quarterly update on risk where it relates to performance matters as part of the performance report.

Reflecting the roles of these committees the relevant Chairmen, Lead Members (CDC) and Portfolio Holders (SNC) will be briefed on risk matters and act as risk champions where appropriate.

3.3 Section 151 Officer

The councils' Section 151 Officer is the lead officer for risk management and ensures that the councils' have robust risk management strategies in place that effectively support the system of internal control.

3.4 Joint Management Team

The Joint Management Team has a number of roles with regards to risk management. As the senior management team they are likely to own many of the strategic risks on the councils' risk registers. As such they are responsible for risk review and monitoring, and as part of the performance management framework they review the strategic risk register on a quarterly basis.

JMT also have a role in identifying and highlighting new risks and working with the Corporate Performance Team to ensure they are assessed, recorded and managed.

3.5 Corporate Performance & Insight Team

The Corporate Performance & Insight Team is responsible for preparing and updating the risk management strategy, for compiling and managing the strategic risk register (including preparing quarterly reports) and for ensuring operational risk management is undertaken by services and as part of programme and project management. The team researches risk best practice and helps the councils' set theirs.

In addition the team provides risk related support to managers, officer and councillors (through officers groups and risk management training) and helps prepare the Annual Governance Statement.

3.6 Team Managers, Officers and Staff

Service managers and team leaders will often be responsible for operational and project risks. This includes risk identification, assessment and management. At this level risks should be included in service and project plans. For some projects a separate risk log will be required.

In some cases JMT members may devolve the day to day responsibility for managing a strategic, corporate or partnership risk to a service manager. If this is the case the manager will be expected to update the strategic risk register on a quarterly basis.

Staff without direct responsibility for owning and managing a risk still have an essential role to play in helping teams identify potential risks associated with service delivery and implementation of projects. As such staff should be involved in risk discussions within teams as they would be with regards to performance management.

3.7 The Risk Management Working Group

A Risk Management Working Group will be established to support risk management both strategically and operationally. This group will identify new risks, review existing risks and act as a champion for risk management across both Councils, and will include representation from each directorate.

Section 4: Monitoring and Review

4.1 Annual Review of the Risk Strategy

The Risk and Opportunities Management Strategy will be reviewed on an annual basis and this review will take into account any issues highlighted by the internal audit of risk management. In addition the strategic risk register will be fully reviewed by the Joint Management Team during the fourth quarter and as part of the annual service planning process managers will be asked to fully review their operational risks.

4.2 Quarterly Monitoring of the Strategy and Register

As part of the risk and opportunities management process it is expected that risks (whether strategic or operational) are reviewed on a quarterly basis.

A quarterly report will be taken to the Accounts, Audit and Risk Committee (Cherwell District Council) and the Audit Committee (South Northamptonshire Council) providing a summary of this quarterly review and in addition highlighting any issues arising with regards to the implementation of or compliance with the Risk Strategy. The review will include commentary regarding the current risk score, the controls in place and whether any gaps have been identified in terms of the assurance that the controls are effective.

4.3 Internal Audit

Internal Audit will be in a position to provide assurance on the internal control environment, in line with their planned programme of work. Internal Audit will plan the annual audit coverage based on a risk assessment, and on the levels of assurance that can be obtained from other assurance providers. The Code of Practice for Internal Audit in Local Government in the United Kingdom defines Internal Audit as;

‘An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources’.

It is envisaged that Internal Audit and Risk Management will co-ordinate assurance by:

- Independently reviewing the risk management strategy and process.
- Completing risk based reviews of the key controls identified to mitigate the principal risk to the councils’ achievement of their strategic objectives.
- Referring to the councils’ risk registers when planning audit work.

4.4 External Audit and Review

External Audit

External Audit is a key source of assurance and both councils should take into account the external audit management letter and reports. However, it is worth noting that the work of external audit has to be independent and the councils should not rely on external audit for advice and guidance as that is not their role.

Review Agencies and Inspectorates

Aspects of the organisations’ activities may be subject to independent inspection and assessment. These reports are likely to identify areas of strength and issues to address and may also provide some assurance. Reports from the Local Government Ombudsman may also provide a further source of assurance.

Section 5: Corporate Governance

5.1 Annual Governance Statement

Regulation 4 of the Account and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of their systems of internal control. This review is incorporated within the Annual Governance Statement that is published alongside the statement of accounts for both councils.

The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The process of preparing the Annual Governance Statement will add value to the corporate governance and internal control framework of an organisation.

The statement needs to be approved separately to the accounts and signed as a minimum by the Chief Executive and the Leader of the Council. At each council the production of the Annual Governance Statement will be reliant upon the contents of some or all of the following. These sources of assurance are:

- Internal audit annual report
- External audit management letter
- Review Agencies and Inspectorates (where appropriate)
- Other internal review mechanisms
- The Strategic Risk and Opportunities Register, including controls and actions
- Operational Risk Registers, including controls and actions
- Statements of Assurance
- Identification of risks highlighted by the Joint Management Team
- Audit Committees at both councils
- Performance Management Framework
- Health and Safety Adviser

5.2 Statements of Assurance

In order for the Chief Executive and the Leader of the Council to be able to sign off the Annual Governance Statement there is a requirement for each Head of Service to complete a statement of assurance taking responsibility for their individual service/operational risk registers and the implementation of the management actions contained within it. These statements of assurance will be completed on an annual basis to feed into the Annual Governance Statement.

The Chief Executive or, in the absence of the Chief Executive, a Director/Section 151 Officer, needs to sign a statement of assurance for the Strategic Risk and Opportunities Register.

Section 6: Contacts and Further Guidance

6.1 Contacts

Paul Sutton – Chief Finance Officer and S151 Officer
Paul.Sutton@cherwellandsouthnorthants.gov.uk
Telephone: 01295221634

Louise Tustian – Senior Performance & Improvement Officer
Louise.Tustian2@cherwellandsouthnorthants.gov.uk
Telephone: 01295 221786.

6.2 Supporting Documents / Guidance

In addition to this strategy the following documents provide information and guidance with regards to risk management:

1. A quick guide to risk management – a three page summary of the councils' approach to risk
2. New risk assessment template – a two page template that takes you through the process of assessing a new risk or fully reviewing an existing risk
3. The risk process guide – a comprehensive guide to risk management

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

30 June 2016

Q4 Treasury Management Report

Report of Chief Finance Officer

This report is public
Appendix 1 and 2 are exempt from publication by virtue of paragraph 3 of Schedule 12A of Local Government Act 1972

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2015/16 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the final Quarter Treasury Management Report.
- 1.2 To note the contents of the Icelandic redemption (exempt Appendix 2).

2.0 Introduction

- 2.1 As part of the Council's investment strategy and governance arrangements this committee considers the investment performance to date and compliance with the Council's Treasury Management Strategy with regard to counterparties being used.
- 2.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates.
- 2.3 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The new annual strategy for Cherwell District Council was approved at full Council on 22nd February 2016. The Council re-appointed Capita Asset Services (formerly Sector) as its Treasury Management advisor in January 2013.
- 2.4 The highest standard of stewardship of public funds remains of the utmost importance to the Council. This document details the Council's management of investments and treasury management activities during the 12 months of 2015/16.

3.0 Report Details

2015/16 Performance

- 3.1 At the end of March the Council had £37.6m managed in-house, including Eco Town funds of £11.5m but excluding the outstanding Icelandic deposit, this fluctuates during the year. The Council regularly reviews each of these funds in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings. Appendix 1 details the split of in-house funds per category and banking group.

Update on Cherwell's Treasury Performance

- 3.2 The new Treasury Management Strategy for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2016 and It sets out the Council's investment priorities as being:

- Security of Capital; Liquidity; and Yield

- 3.3 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs. The Council also seeks out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses Capita's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector (this applies in particular to nationalised and semi nationalised UK banks).

- 3.4 **During the quarter ended 31 March, Capita Asset Services highlighted:**
The UK recovery appears to be showing some signs of losing momentum, with the Q4 real GDP growth estimate of 0.5% slipping below the long run average. Consumers remain the key driver of recovery, along with the services sector, as net trade continues to weigh on growth.

Business investment fell by 2.1%, for which there may have been a couple of reasons; the impact of falling oil price in the energy sector and unease among businesses with the impending EU referendum.

Though households are underpinning recovery, real spending growth actually eased in Q4. Nevertheless, consumer confidence, which has come off its recent high, remains elevated in historic terms and was strong enough to help retail sales volumes to pick up in January.

Mortgage approvals have increased by 20% year on year in January, but this was helped by investors rushing to beat the April Stamp Duty increase on buy-to-let properties.

The labour market remains healthy with 205,000 jobs created in Q4, though the unemployment rate was unchanged at 5.1%. Despite the tight labour market, wage growth has remained fairly becalmed, indeed headline wage growth eased to 1.9% in December, but analysts expect that to change in the not too distant future.

The threat of deflation appears to have been avoided, but CPI remains modest at just 0.3% in January, with rises widespread. Overall, there does not appear to be a marked pick up in domestically driven inflation, and there should be a fairly gentle build up to the Bank of England's 2% target.

Some of the more extreme market interest rate expectations have pushed the first increase out to late 2019 on the fears driven by potential Brexit. Indeed, the markets have increased the possibility of the Bank of England cutting rates this year.

3.5 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes up to March 2016 was £58.9m funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.

3.6 **Investment performance for quarter ended 31st March 2016 was:**

Fund	Funds invested	Estimated Interest	Actual Interest	Variance	Rate of return*
In House	£37,600,000	£332,620	£354,027	£21,587	0.61%
Total	£37,600,000	£332,620	£354,027	£21,587	0.61%

**Rate of Return is calculated on an annualised basis*

3.7 Interest has continued to be ahead of anticipated levels. The value of interest up to the end of March includes accrued interest on Gilts (only payable twice a year) and investments maturing after date.

Icelandic Investments

3.8 As at 31 March 2016 there was no further update in respect of funds remaining within Iceland. As reported previously, out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining capital balance of £729,000 along with associated interest relating to the investment is still held within Iceland and is accruing interest on an annual basis.

We continue to work with the LGA and Bevan Brittan on the potential for transfer to the UK and have exercised our option to redeem the investment in full at the June auction, details of which will be available after 22 June 2016 in Appendix 2 (to follow).

4.0 Conclusion and Reasons for Recommendations

4.1 This report details the Treasury Performance for the Council for the Twelve months ended 31 March 2016

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 on the performance reported.

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:
George Hill, Corporate Finance Manager
george.hill@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 Presentation of this report is in line with the CIPFA Code of Practice.

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

Risk Management Implications

7.3 It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by:
Ed Bailey, Corporate Performance Manager, 01295 221605
edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

7.4 There are no equality and diversity implications from this report.

Comments checked by:
Caroline French, Corporate Policy Officer, 01295 221586
caroline.french@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

Links to all elements of Corporate Plan

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Schedule of In-house investments per category and banking group - EXEMPT
Appendix 2	Icelandic redemption (to follow) EXEMPT
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.sutton@Cherwellandsouthnorthants.gov.uk

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

30 June 2016

Annual Governance Statement 2015/16
--

Report of Chief Finance Officer

This report is public

Purpose of report

To report the Annual Governance Statement. The Annual Governance Statement will be considered at the same time as the Statement of Accounts for 2015/16.

1.0 Recommendations

The meeting is recommended:

- 1.1 to consider and endorse the Annual Governance Statement 2015/16 (Appendix 1 – to follow).

2.0 Introduction

- 2.1 The Annual Governance Statement is attached at Appendix 1 (to follow). It is an item for consideration and endorsement prior to formal sign off by the Leader of the Council and the Chief Executive.

3.0 Report Details

- 3.1 The Annual Governance Statement is part of the CIPFA/SOLACE governance framework. It is a wide ranging document that is governance focussed and must be considered and “owned” corporately. It is separate from the Statement of Accounts but is considered alongside them.
- 3.2 The document describes our governance arrangements and assesses how closely we align with good practice. ***In overall terms this is a positive statement for the financial year 2015/16 with no significant governance issues to report.*** This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the overall scrutiny process and external audit.

4.0 Conclusion and Reasons for Recommendations

4.1 To consider and endorse the Annual Governance Statement

5.0 Consultation

5.1 None

6.0 Alternative Options and Reasons for Rejection

6.1 None

7.0 Implications

Financial and Resource Implications

7.1 There are no direct financial implications stemming from this report.

Comments checked by:
George Hill, Corporate Finance Manager
george.hill@cherwellandsouthnorthants.gov.uk

Legal Implications

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

Comments checked by:
Kevin Lane, Head of Law and Governance
kevin.lane@cherwellandsouthnorthants.gov.uk

Risk Management

7.3 There are no risk management issues arising directly from this report.

Comments checked by:
Ed Bailey, Corporate Performance Manager, 01295 221605
edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

7.4 There are no equality or diversity issues arising directly from this report.

Comments checked by:
Caroline French, Corporate Policy Officer, 01295 221586
caroline.french@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

Links to all elements of Corporate Plan

Lead Councillor

None

Document Information

Annex No	Title
Appendix 1	Annual Governance Statement 2015/16 (to follow)
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.sutton@cherwellandsouthnorthants.gov.uk 0300 0030106

This page is intentionally left blank

Agenda Item 15

Date	Agenda Items
W/C 27 June	External Audit Progress Report External Audit Letter Internal Audit Progress Report Corporate Fraud - Annual Report Corporate Risk - Annual Report Treasury Management - Annual Report Annual Governance Statement Approval Finance Improvement Plan Update
21 September	External Audit Annual Results Report Statement of Accounts Approval Internal Audit Progress Report Corporate Fraud Q1 Corporate Risk Q1 Treasury Management Q1
30 November	External Audit Annual Audit Letter Internal Audit Progress Report Corporate Fraud Q2 Corporate Risk Q2 Treasury Management Q2 Treasury Management Strategy Finance Improvement Plan - Follow-up
25 January	External Audit Progress Report and Annual Certification of Grants Claims Internal Audit Progress Report
31 March	External Audit Audit Plan Internal Audit Progress Report and Audit Plan Corporate Fraud Q3 Corporate Risk Q3 Treasury Management Q3

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank