

# Public Document Pack

## 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 28 June 2017 at 6.30 pm

Present: Councillor Ian Corkin (Chairman)  
Councillor Hugo Brown (Vice-Chairman)

Councillor Sean Gaul  
Councillor Mike Kerford-Byrnes  
Councillor Nicholas Mawer  
Councillor Barry Richards  
Councillor Tom Wallis  
Councillor Sean Woodcock

Also Present: Councillor Barry Wood, Leader of the Council  
Councillor Tony Ilott, Lead Member for Financial Management  
John Cornett – KPMG  
Mike Norman - KMPG

Officers: Paul Sutton, Chief Finance Officer / Section 151 Officer  
Scott Barnes, Director of Strategy and Commissioning  
Sanjay Sharma, Interim Head of Finance / Deputy Section 151 Officer  
Belinda Green, Revenues and Benefits Manager  
Mandy Emery, Joint Benefits Team Leader  
Aaron Hetherington, Democratic and Elections Officer

#### 3 **Declarations of Interest**

Members made the following general declarations of interest:

Councillor Ian Corkin, declaration, as a board member of Graven Hill Village Development Company.

#### 4 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

#### 5 **Urgent Business**

There were no items of urgent business.

6 **Minutes**

The Minutes of the meeting of the Committee held on 22 March 2017 and 16 May 2017 were agreed as correct records and signed by the Chairman.

7 **Chairman's Announcements**

There were no Chairman's announcements.

8 **External Audit Progress Report (verbal)**

The Chief Finance Officer gave a verbal update on external audit.

**Resolved**

- (1) That the Verbal update be noted.

9 **External Audit Letter to the Committee**

The Chief Finance Officer submitted a report to inform members of the response to the external auditor's, Ernst Young, letter to the Chairman of the Committee.

**Resolved**

- (1) That the response to the external audit's request for management assurance from Those Charged With Governance Annex to the Minutes as set out in the Minute Book) be approved.

10 **Internal Audit - Annual Report for 2016/17 and Progress Report 2017/18**

The Chief Finance Officer submitted a report which presented the council's former internal auditor, PwC's annual report for 2016/17 and from the council's new internal auditor, CWAS, internal audit reports finalised since the last meeting and the progress report for 2017/18.

**Resolved**

- (1) That the update be noted
- (2) That the contents of the 2017/18 progress report from CWAS be noted

11 **Corporate Fraud Team Update**

The Chief Finance Officer submitted a report which provided an update on the joint Corporate Fraud team including an end of year performance summary for 2016-2017 and presented the Corporate Fraud Business Plan for 2017-2018.

**Resolved**

- (1) That the contents of the report be noted
- (2) That the Corporate Fraud Business Plan for 2017-2018 be endorsed

12 **End of year Risk Review 2016-17**

Director - Strategy and Commissioning submitted a report to update the Committee on the management of Strategic, Corporate and Partnership risks during the final quarter of 2016/17.

**Resolved**

- (1) That, having given due consideration, the Full Strategic, Corporate and Partnership Risk Register for 2016/17 be noted.
- (2) That the risk exceptions highlighted and proposed actions continuing into 2017/18 be noted.

13 **2016/17 Treasury Management Annual Report**

The Chief Finance Officer submitted a report which presented information on treasury management performance and compliance with treasury management policy during 2016/17 as required by the Treasury Management Code of Practice.

**Resolved**

- (1) That the contents of the report in line with the Treasury Management Strategy be noted.

14 **Annual Governance Statement 2016/17**

The Chief Finance Officer submitted a report which presented the Annual Governance Statement which would be considered at the same time as the Statement of Accounts for 2016/17.

**Resolved**

- (1) That, having given due consideration, the Annual Governance Statement 2016/17 (annex to the Minutes as set out in the Minute Book) be endorsed.
- (2) That the carry forward of budget underspends from 2016/17 to 2017/18 (annex to the Minutes as set out in the Minute Book) be approved.
- (3) That the balances on capital schemes which have slipped in 2016/17 to be carried forward into the 2017/18 capital programme (annex to the Minutes as set out in the Minute Book) be approved.

- (4) That the outcomes from the informal review of the Statement of Accounts undertaken on 28 June immediately prior to the formal meeting at 5.00pm be noted.

15 **Housing Benefit and Council Tax Reduction Risk Based Verification Policy**

The Chief Finance Officer submitted a report to seek support from members of the Committee for the introduction of a Risk Based Verification Policy for new claims for Housing Benefit and Council Tax Reduction with effect from 28 June 2017 or from the date that the Benefits work was insourced from Capita and the Academy processing system was introduced whichever is the later.

**Resolved**

- (1) That the contents of the report be noted
- (2) That, having given due consideration, the Section 151 Officer be recommended to adopt the Risk based Verification Policy in determining the evidence requirements for the assessment of new Housing Benefit and Council Tax Reduction claims.

16 **KPMG NNDR Audit Follow-up**

The Chief Finance Officer submitted a report which informed members of the findings of the KPMG follow-up review of their NNDR report.

**Resolved**

- (1) That the report be noted

17 **Closedown Update (verbal)**

The Chief Finance Officer provided a verbal update on the accounts closedown.

**Resolved**

- (1) That the verbal update be noted.

18 **Work Programme**

The Committee considered its work programme for 2016/17.

**Resolved**

- (1) That the work programme be noted.

19 **Exclusion of 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, Paragraphs 2 and 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.

20 **Corporate Fraud Team Update - Exempt Appendices**

**Resolved**

- (1) That the exempt appendices be noted.

The meeting ended at 9.00 pm

Chairman:

Date:



DISTRICT COUNCIL  
NORTH OXFORDSHIRE

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Oxfordshire  
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## Finance & Procurement

Paul Sutton, Chief Finance Officer

Neil Harris  
Executive Director  
Ernst Young LLP

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Please ask for: Paul Sutton

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Our Ref: DT/PS

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Dear Neil

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

I refer to the annual requirement for the Council to provide its external auditors details of the management assurance process that is in place. I have set down below the arrangements that those charged with governance (the Accounts, Audit & Risk Committee) have in place to gain the necessary assurance from management.

#### **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 2016/17 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 Chief Finance Officer. 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 Chief Finance Officer 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 2016/17 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 reviewed regularly during the course of 2016/17.
- 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 Chief Finance Officer 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 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 2016/17 will be presented to the Accounts, Audit & Risk Committee in June 2017.

Their work has identified some high rated risks relating to IT security and business continuity, these risks are being addressed by the Council. 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 2016/17, the audit plan was approved by the Committee in March 16. 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 2016/17?**

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 2016/17 financial statements. I am confident that if any such instances were discovered, suspected or alleged they would be brought to my attention by the Chief Finance Officer 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 2016/17?**

The authority has a statutory S151 officer (Chief Finance Officer) 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 the date of this letter, 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 28 June 2017.

Yours sincerely

**Councillor Ian Corkin**  
**Chairman of the Accounts, Audit & Risk Committee**

## Annual Governance Statement 2016/17

### Executive Summary

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The Annual Governance Statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

This 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 2016/17. 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 overview and scrutiny process and external audit.

External audit is undertaken by Ernst and Young and this provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2015/16 accounts, the latest published.

In common with all local authorities, the Council faced an extremely challenging year in 2016/17 as it sought to manage the implications of the local government resource review, welfare reform changes, budget reductions, increasing demand for key services and new ways of working. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

The Council's long term vision for the district is ambitious. Working with our partners in the public, private and voluntary sectors we are aiming to build a District with a diverse economy. A selection from the Council's Pledges is given below and listed in full within the Business Plan 2016/17.

- Graven Hill: deliver the demonstration project on the Graven Hill site,
- Work with the local police and licence holders to ensure our town centres remain clean, safe and vibrant at all times.
- Deliver at least 190 units of affordable housing including a high proportion constructed using self-build methods. Planning for 133 affordable rented homes and 57 shared ownership or other low cost home ownership scheme.
- Reduce the cost of providing our services through partnerships, joint working and other service delivery models.

As this statement will show, the Council has a strong system of internal control, performance and risk management and action plans are in place to address issues and progress will continue to be monitored during the course of 2017/18.

## **1.1 Scope of Responsibility**

Cherwell District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cherwell District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cherwell District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. A copy of the code is on the Council's website. This statement explains how Cherwell District Council has complied with the code and also meets the requirements of regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## **1.2 The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the local community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Cherwell District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

The governance framework has been in place at Cherwell District Council for the year ended 31st March 2017 and up to the date of the approval of the statement of accounts.

## **1.3 The Governance Framework**

The following sections align to the 'Delivering Good Governance in Local Government Framework' (CIPFA/SOLACE) and provide evidence against each of sections contained within that document.

### **1.3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

The Council's long term strategic objectives are set out in the five year Corporate Strategy which is supported by the annually reviewed business plan. Progress is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. Our annual financial planning process is driven by the Council's medium term financial strategy to ensure our future priorities and ambitions are resourced.

The Council's long term strategic objectives are set out in the five year Corporate Strategy supported by the annual business plan. The plan identifies and communicates the vision of its purpose and intended outcomes for citizens and service users through a variety of media including its website, Cherwell Link magazine and consultation documents working with Cherwell Local Strategic Partnership (LSP). The Council chairs LSP for Cherwell with Membership of the LSP including members from the county, district, town and parish councils, Thames Valley Police, the faith, business and voluntary communities.

The Council's five year strategy sets out the organisation's vision and key strategic priorities. The business plan is refreshed on an annual basis and the updated version published. It sits alongside the budget as a key corporate document and is subject to the same public consultation process.

The Council's service and financial planning process incorporates substantial consultation with all sections of the community. At the corporate level this includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement, and a budget consultation process that is focused on qualitative research with stakeholders. In addition we target harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation.

At service level, individual service areas and teams undertake public consultation. The Council has a consultation and engagement strategy, and action plan to support this. During 2016/17 the Council, working with its partners, continued to work to improve opportunities for public feedback through Connecting Communities events and through our Annual Customer Satisfaction Survey that help us to set and test strategic direction.

The corporate agenda is communicated to staff through regular briefings from the Chief Executive, a "cascade" system and the staff magazine as well as through staff engagement in the service planning process. Additional communication activities are also undertaken in relation to key projects such as shared services.

### **1.3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements**

The Council reviews its vision and the implications for its governance arrangements by regularly updating its five year strategy, reviewing the annual business plan and major strategy documents. The Council has a Medium Term Financial Strategy (MTFS) in place to ensure future ambitions are resourced. The MTFS is the Council's key financial planning document. It is driven by our five year strategy and annual business plan and the four strategic priorities which lie at the heart of it:

- District of Opportunity
- Safe, green and clean
- A thriving community
- Sound Budgets and Customer Focussed Council

This strategy sets clear targets to ensure balanced resources are set and focus resources on front line services in a time when government funding has been reduced.

The Council agreed on the 8<sup>th</sup> December 2010 to joint working arrangements with South Northamptonshire Council and these arrangements were confirmed with the appointment of the Shared Chief Executive in May 2011. This was followed up by the appointment of three directors and eight heads of service in October 2011. Further joint working arrangements have either been implemented or are being investigated by directorate, based on individual business

cases, to deliver further savings whilst protecting frontline services. In September 2013, Cherwell created a fourth director role for Bicester which isn't a shared post.

Cherwell District Council and South Northamptonshire Council remain separate independent entities, retaining their sovereignty. Elected members of both councils will remain in charge of decision making in line with their visions, strategic aims, objectives and priorities

During 2016/17 the councils also extended their joint working to cover a wider remit of services. Governance is underpinned by a joint committee (called the Joint Commissioning Committee) which oversees shared services.

### **1.3.3 Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources**

Mechanisms are in place to measure the quality of services for users, ensuring they are delivered in accordance with Cherwell District Council's objectives and that they represent the best use of resources. The Council continues to improve performance management within the organisation. Service quality and best use of resources is ensured via:

- Performance Matters (a performance management system for monitoring and recording performance indicator data and business plans) responsibility of managers to report on a monthly and quarterly basis
- Quarterly Review of Financial Performance Reports
- Transformation and Projects

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its performance against Performance Indicators and also against service plans and strategies. This is encapsulated within the Performance Management Framework.

Financial reports comparing budget to actual and projections to end of year are distributed to all key officers on the first working day of each month, with access/drilldown facilities appropriate to role and responsibilities. This reporting tool, known as the dashboard, includes the reasons/actions to be taken for all red flagged items. Within a further five working days, a projections module is available which includes a detailed analysis prepared by each Head of Service and Service Accountant relating to full year outturn projection.

Financial reporting is effectively delivered through the financial dashboard which is produced and distributed on a monthly basis. This provides a robust mechanism for closely monitoring budgets and effectively challenging or addressing the variances identified with the relevant Heads of Service.

The dashboard provides comprehensive and timely budget monitoring, producing a year end outturn with no unexpected variances against budget. It has also enabled funds to be reallocated within year to alternative Council priorities.

The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. The Council encourages staff involvement in the improvement process and actively uses the findings of external agencies and inspections and the national efficiency framework, to drive improvement. Every report to members carries a paragraph that assesses what efficiency savings the proposal might generate.

The external audit Annual Audit Letter gave an unqualified Value for Money conclusion in September 2015. This means that the Ernst & Young is satisfied that the Council has adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

### **1.3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

A clear statement of the respective roles and responsibilities of the executive, the members and the senior officers are held within:

- The Constitution (available on the Council's website)
- Officer job descriptions

The budget and policy framework is determined by full Council. The Executive has delegated authority to take most decisions within that framework other than legally specified non-executive decisions such as those relating to regulatory and staffing matters. Executive decisions are subject to scrutiny. All meetings are open to the public unless confidential or exempt items, as defined by the Local Government Act 1972 as amended, are discussed. All Executive meetings are webcast and are available in archived format for six months from the date of the meeting.

The Joint Commissioning Committee, which includes members from South Northamptonshire Council, has overall responsibility for the provision, to the adopting councils, of shared services arrangements both in respect of services the Councils have direct responsibility for and services provided to the Councils via the confederation company and its delivery units (if established).

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. The Committee can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

A Joint Scrutiny Committee, which includes members from South Northamptonshire Council, has been established to scrutinise the work of the Joint Commissioning Committee when exercising executive functions delegated to it. It did not meet in 2016/17 but will do so in 2017/18.

The Budget Planning Committee is a Committee of Council which makes recommendations to the Executive on matters relating to the finances of the authority. Its role is to provide a strategic overview of all matters affecting the current and future finances of the authority and it also plays a key role in supporting the budget setting strategy and process.

The Standards Committee has responsibility for ensuring the highest standards of councillor behaviour. This meets when needed to consider reports on investigations into complaints of breach of the Councillors' code of conduct by councillors of this authority or any Town or Parish Council in the district. There is a common code of conduct throughout all Oxfordshire councils with limited exceptions which means that any Cherwell district councillors who are also County and/or parish councillors have to abide by a single consistent set of rules. The Head of Law and Governance as statutory monitoring officer has extensive delegated authority from the Committee to process and determine complaints in consultation with two statutory independent persons. It has not been necessary for the Committee to meet to consider any complaints against councillors in 2016/17.

The Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts.



The Section 151 officer, his deputy and the Monitoring officer meet informally as necessary to review the governance arrangements of the Council and provide input into this Annual Governance Statement. The senior officer management team is the Joint Management Team which meets formally once a month.

### **1.3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The key documents and techniques used to develop the code of conduct and high standards of behaviour that we achieve within Cherwell District Council comprise:

- The Constitution
- Codes of conduct and associated protocols
- HR policies and procedures
- Internal / External Communications Policy
- Whistle blowing policy
- Recruitment policy and Appraisal processes
- Registers of member interests
- Complaints policy and procedures
- Internal Audit work
- External Audit Reports
- Chief Executive briefings
- In Brief
- Staff Induction Programme
- Intranet and Website Messages

The Council has adopted codes of conduct for members and officers. The codes and protocols of the Council are in part three of the constitution. The code of conduct for councillors is a mandatory requirement and includes provision for the registration and notification of disclosable pecuniary interests backed up by criminal sanction.

### **1.3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

Under the Local Government Act 1972, as amended, the Council is able to delegate decisions to committees or officers but is required to have a scheme of delegation setting this out. The scheme of delegation is part of the Council's constitution. Since October 2012 the Council has adopted a joint scheme of officer delegations with South Northamptonshire Council so as to ensure that the shared management team members are working to substantially the same delegated powers at both Councils thereby mitigating the risk of misapplication of one Council's powers while acting for the other. This joint scheme was amended in October 2013 to reflect a re-allocation of roles amongst individual members of the shared management team. Since December 2012 the Council has also adopted joint Financial Procedure Rules and Contract Procedure Rules on a similar basis. An accurate up to date constitution reduces the risk of challenge to the Council's decisions.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy which has been recently reviewed in April 2016. Recommendations and amended working practices have been discussed and will be embedded within Quarter 1 of 2016/17. Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. All Heads of Service review and update their strategic, corporate and partnership risks online quarterly. Heads of Service and managers are responsible for managing their operational risk registers and escalating as and when necessary to the corporate register. For each risk noted

## Cherwell District Council

on the register, responsible officers are required to identify controls that are in place to mitigate the risk.

A risk management workshop for members is held on an annual basis, the next one will be held within the first quarter following the recent elections. Management and officer training was held in April 2016, a working group will be set up and refresher training will follow later in the year. The purpose of these workshops is to review and revise the strategic risk register and provide an update on the Council's risk management strategy. Risks are categorised as either strategic, corporate, partnership or operational. All strategic, corporate and partnership risks are reviewed on a monthly basis at JMT level as of May 2016. The Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has also been updated and training has been provided for the Accounts, Audit and Risk Committee. Operational risks are managed at the departmental level, reviewed by DMT on a quarterly basis.

The on-going working arrangements due to the joint working arrangements with South Northamptonshire Council require a shared approach around a Joint Risk strategy and Opportunities Management Strategy both Councils in achieving their objectives through proactive risk management.

The risk register is considered by the Joint Management Team, and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted. The South Northamptonshire Council's Audit Committee and the Cherwell District Council's Accounts, Audit and Risk Committee receive regular risk management updates and review the strategic risk register. This oversight 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.

Joint working arrangements are in place, the following list summarises the key activities that were undertaken to ensure risk management is embedded across both councils.

1. A monthly process of risk review covering both the strategic and operational risk registers at JMT.
2. Quarterly monitoring reports will be presented to relevant council committees to ensure Councillors have good access to risk information.
3. 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.
4. An internal audit of risk management will take place annually.
5. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
6. 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.
7. 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 in Quarter 4.

## Cherwell District Council

8. The Risk Officer working group is being re-established within Quarter 1 as required to embed, review or develop risk practices.
9. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on to JMT on a monthly basis with any required corrective action identified and agreed upon. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specific earmarked reserves to deal with identified non-insurable risks.

The Council has staff with specific responsibility for health and safety, and operate Integrated Management Standards, ISO 14001:2004 Environmental Standard and OHSAS 18001 covering all aspects of the Councils work. Both these standards are audited twice a year by external auditors, in addition quarterly monitoring reports are produced for the Councils Health and Safety Committee and an annual report is submitted to the Integrated Management Board.

Following the transfer of Housing Benefit fraud investigations to the Department for Work and Pensions in February 2015 a new joint Corporate Fraud Investigation team was established with the aims to prevent, detect, investigate and sanction cases of non-Housing Benefit fraud including Council Tax discount fraud, housing tenancy fraud and grant fraud.

In 2016/17 151 investigations were completed by the joint team, fraud was proven in 28 of these cases. The strategy of publishing our prosecutions in the local papers and the Council's own publication acts as a deterrent against this type of abuse and give assurance to Cherwell District Council that the Council is discharging its responsibility to protect public Funds

The Council participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council also participates in data matching exercises through the Housing Benefit Matching Service. This matches data held by the Council with that of other agencies such as DWP, to identify cases where fraud may have been committed.

The Anti-Fraud and Corruption Policy and the Whistle Blowing Policy have been updated and were endorsed by the Audit Committee in March 2015.

### **1.3.7 The Authority's financial management arrangements do conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

In June 2009, CIPFA launched its 'Statement on the Role of the Chief Financial Officer (CFO) in Public Service Organisations'.

The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The statement advocates that the CFO in a public services organisation:

## Cherwell District Council

- Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

CIPFA has issued its 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The statement draws heavily on the 'Statement of the Role of the Chief Financial Officer in Public Service Organisations' and applies the principles and roles set out in that document to local government.

With the implementation of joint working arrangements the Chief Finance Officer is the Council's nominated Section 151 Officer.

### **1.3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. In particular it has an on-going role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council.

During 2016/17, the committee received the annual risk strategy and quarterly updates on the Risk Register. The committee received annual training on Treasury Management as part of the treasury strategy which was delivered by the Council's advisors Capita Asset Services.

### **1.3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

Chief Officers and Heads of Service take responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Cherwell District Council observes all specific legislative requirements and adheres to the general principles of good administrative law – rationality, legality and natural justice.

The Head of Law and Governance is designated as the Council's Monitoring Officer and it is his responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with council policies. All reports that go before Council and Cabinet are reviewed by the Monitoring Officer to ensure the legality of the Council's actions. Additional external legal advice is sought where appropriate.

The Chief Finance Officer is responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensures financial management of the Council is conducted in accordance with the Financial Procedure Rules (article 9 of the Constitution). Financial management facilitates service delivery through the five-year Medium Term Financial Strategy and the annual budget process, underpinned by the Treasury Management Strategy.

Cherwell District Council actively recognises the limits of lawful activity implicit in the ultra vires doctrine, and strives to employ its powers to the full benefit of its communities.

### **1.3.10 Whistle blowing and receiving and investigating complaints from the Public**

The Council has well-developed processes for whistle blowing and for receiving and investigating complaints both internally and from the public. The whistle blowing policy is available on the intranet and the corporate complaints procedure is available on the internet. All new members of staff receive a copy of the whistle blowing policy and a leaflet entitled 'Don't Turn a Blind Eye' in their induction packs.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. There were no incidents of whistleblowing reported in 2016/17.

Complaints can be made by telephone, in writing or by visiting the Council. The Council aims to resolve all complaints at the point of contact wherever possible. Where this is not achievable, the Council's corporate complaints procedure (available on the website) outlines a formal two stage process for rectifying issues. The definition of a complaint is:

- a service being delivered at a lower standard than is set out in council policy or SLAs
- the attitude of staff
- neglect or delay in responding to customers
- failure to follow agreed procedures/policies
- evidence of bias or unfair discrimination.

Electronic training was rolled out in 2014/15 to all employees. The council reports its performance on a quarterly basis and complaints including Ombudsman investigations are included within this report. An annual summary is provided in the Council's Annual Report which is published in June/July each year.

### **1.3.11 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Member Development and Support Strategy was agreed by Executive in September 2009. The Strategy sets out the Council's commitment to member development and support. It explains the responsibilities of the Council in delivering effective support to members. All members are given a copy of the strategy upon election to the Council and it is available on the Council's website. The strategy has raised the profile of member development within the organisation. Executive responsibility for member development sits with the Leader of Council whose areas of responsibility include Democratic Services.

Members and officers are also invited to suggest topics for development sessions at any point during the year. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

## Cherwell District Council

In 2016/17 there were 16 formal training or briefing sessions arranged by Cherwell District Council. The total attendance at all events was 197 Cherwell District councillors and 30 external attendees (other district councillors, town/parish councillors, town/parish clerks, officers and partners). The training sessions are categorised to help members choose the appropriate training to suit their individual requirements. There are six training categories:

- essential, which cover the broad skills for being a councillor, providing information on some of the basic principles of local government such as finance, and statutory issues around planning and licensing;
- internal knowledge, which provides information specific to Cherwell District Council;
- Committee skills, which are targeted at specific committees and roles;
- Portfolio Holder, which focus on the knowledge and skills required in these roles;
- engagement, which relate to members' responsibilities as community leaders;
- information, which refer to briefings on specific subjects as required.

In 2016/17 all of the categories were included in the Member Development programme. Sessions included planning training, licensing training, finance training, presentations and briefings by external partners on major issues affecting the district and projects underway in the district. A trip to Westminster was also arranged in conjunction with the Parliamentary Outreach Service where Members had the opportunity to meet MPs involved in Select Committees and attend a Select Committee evidence gathering session.

Training needs for all staff are discussed as part of the annual appraisal process, and all requests for training go through the Council's human resources team to monitor both cost and link to the Council's strategic priorities.

### **1.3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway and information about what consultations are planned. The Council undertakes a statistically representative annual satisfaction survey and has an annual budget consultation programme that underpins the service and financial planning process.

When procuring the corporate consultation programme, an evaluation criterion was set to ensure that the research contractors took steps to ensure harder to reach groups are not excluded. Steps taken include recruiting a balanced citizen's panel to ensure all sections of the community can participate in key pieces of corporate consultation.

In addition to the corporate consultation programme, the Council also holds a number of consultative forums including and in partnership with other local public sector agencies, forums including the Faith and Disability Forums.

We also hold formal annual parish liaison events which provide clear channels of communication and engagement with the parish councils.

In the main accountability and consultation is achieved using the following methods:

- Website
- Committee Management Information System (Modern Gov) (where the public reports are available for inspection).

- Corporate Improvement Programmes
- Medium Term Financial Strategy
- Annual Report and Summary of Accounts
- Statement of Accounts
- Budget Book
- Customer Satisfaction Surveys
- Press releases
- Cherwell Link
- Intranet
- Corporate Briefings
- Corporate Communications Strategy
- Performance Management Reports

### **1.3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements**

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. The Council's key strategic partnerships are included as part of the performance management framework and performance is reported quarterly. There is also a partnerships protocol.

The LSP is a key partnership for the Council, the role of Chairman is held by the Leader of the Council and there are clear terms of reference in place to cover membership, roles and responsibilities and the objectives of the partnership. The LSP Board provides the leadership and decision making body for the partnership that plans the work programme of the board and coordinates performance management and action planning. The Management Group is chaired by the LSP Board member with the role of performance champion.

To ensure the partnership listens to the wider views of the local community, it holds an annual conference which is open to all stakeholders and provides an annual report of its activity. Where appropriate the LSP sets up sub-committees to co-ordinate work programmes, examples include the Climate Change Partnership and the Brighter Future in Banbury Steering Group. Sub-partnerships have their own terms of reference, agreed by the LSP Board, and report back to the Board with performance and progress updates on a regular basis.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by relevant training and a process of annual review.

## **1.4 Review of Effectiveness of Governance**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Joint Management Team which has responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

## **1.5 The Authority's Assurance Framework**

The review of the effectiveness of the system of internal control is underpinned by an Assurance Framework for internal control. The Framework is managed by the Corporate Governance Group, consisting of senior officers from a range of relevant disciplines, and

## Cherwell District Council

seeks to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from each of the Group members.

Officers responsible for corporate governance are in regular contact with each other to ensure all the relevant governance processes are in place and are robustly followed.

Within the framework, individual service managers are required to complete a management assurance statement each year, in which they confirm the arrangements that they are operating to maintain internal control, and how effective they believe them to be. These assessments are then analysed centrally by the group to provide a picture of any local weaknesses and to help identify any corporate themes that may not be remarkable in one service, but may assume greater significance when exhibited across a range of services.

There is a process, whereby significant issues raised within the framework can be escalated to Joint Management Team and/or the Executive. There have been no issues escalated during 2016/17.

### **1.6 The Constitutional Framework**

#### **1.6.1 The Executive**

The Local Government Act 2000 and regulations made thereunder set out the functions which the Executive may perform. The Executive is not permitted to carry out any regulatory or staffing function. The Leader of the Council selects the Executive which is a maximum number of ten. 'Portfolios' are given by the Leader to the individual Members of the Executive.

#### **1.6.2 Accounts, Audit and Risk Committee**

To monitor the audit and risk management processes of the Council and ensure they comply with best practice and provide value for money. To approve the Council's statement of accounts and respond to any issues raised by internal audit or the external auditor.

#### **1.6.3 Overview and Scrutiny**

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. This work is delivered by the Overview and Scrutiny Committee which can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The role of scrutiny in following up recommendations: At every meeting of each scrutiny committee, there is a standard agenda item: 'Overview and Scrutiny Annual Work Programme'. This includes a follow up schedule for all previous scrutiny reviews. The committees normally review progress on the implementation of their recommendations at six month intervals, unless the nature of the review suggests a shorter or longer timescale is appropriate. The Lead Member and relevant Director and/or Service Head are asked to provide a written progress report and to attend the meeting to brief the committee. There were no call-ins during 2016/17.



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Also part of the overall overview and scrutiny process is the Budget Planning Committee, further details of which are contained in section 1.3.4 above.

### **1.6.4 Standards Committee**

The Localism Act 2011 required the Council to adopt new arrangements for ensuring the maintenance of high standards of councillor conduct, including a code of conduct which is consistent with the Nolan principles of good conduct in public life with effect from 1 July 2012. A new code was duly adopted and the Standards Committee was re-constituted so that its membership met the requirements of the 2011 Act. Two statutory independent persons were also appointed as part of the new arrangements. During 2016/17 there have been no complaints heard by the Committee.

The code adopted at Cherwell is consistent with that adopted by Oxfordshire County Council and all other principal authorities in the County. This has been done under the auspices of the Oxfordshire Monitoring Officers Group which meets six times a year and includes as a standing item on its agenda matters relating to standards issues. The vast majority of parish councils in the Cherwell district have also agreed to adopt the same version of the code. This means that, with limited exceptions, councillors throughout the Council's district are covered by the same code of conduct thereby ensuring consistency of approach.

As Monitoring Officer, the Head of Law and Governance continues to review the relevance and effectiveness of the constitution. This is particularly in the light of the shared Joint Management Team with South Northamptonshire Council. As mentioned in section 1.3.6 above three key sections of the constitution have been redrafted and joined with South Northamptonshire Council to reflect the shared joint management team namely the scheme of officer delegations, the Financial Procedure Rules and the Contract Procedure Rules. Having common schemes and procedures such as these significantly mitigates the risk of any Joint Management Team members applying an incorrect rule with resultant unlawful action on the Council's behalf. The scheme of officer delegation will be revised to match current post titles once phase 2 of the senior management restructure has been implemented

### **1.6.5 Chief Financial Officer**

During the 2016/17 financial year, the Chief Finance Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

With the implementation of joint working arrangements the Chief Finance Officer was the Council's nominated section 151 Officer and the Head of Finance and Procurement was deputy S151 officer.

### **1.6.6 Internal Audit**

The Council's Internal Audit Service Annual Plan is developed using a risk based approach, aligned to the Corporate Risk Register where possible to ensure current and emerging risks were adequately covered. Internal Audit Service reports provide an overall risk assessment on the adequacy and effectiveness of the Council's internal control environment, with areas of weakness identified and agreed actions for improvements.

Public Sector Internal Audit Standards (PSIAS) and CIPFA's Audit Code of Practice requires that the Head of Internal Audit provides a written report to the Accounts Audit and Risk Committee, timed to inform the organisation's Annual Governance Statement. The purpose of this report is to present Internal Audit's view on the adequacy and effectiveness of Cherwell District Council's system of governance, risk management and control.

The draft Annual Internal Audit Report is presented to the Accounts Audit and Risk Committee in June 2017, which details the reviews completed and the number of critical, high, medium and low risk items identified within each individual review. The full report is available on the Council's website through the June Accounts Audit and Risk Committee published committee papers.

There were three reviews that had an overall high risk rating that have been issued in 2016/17 that related to the Council's Business Continuity, Cyber Security and Programme Management arrangements. The following control weaknesses (individually critical or high risk items that are pervasive to the council as a whole) were identified that should be mentioned in the 2016/17 Annual Governance Statement, that have been considered further by the Council and have appropriate plans in place to address.

### **Cyber review**

Technical security (high risk) - the Councils have limited ability to monitor, detect and prevent security incidents and weaknesses:

- There is no security incident and event monitoring tool to provide monitoring and alerting of security events across the Councils' systems and infrastructure;
- Firewall logs are monitored but it was noted that they do not provide a complete intrusion prevention or detection.

### **Business Continuity Review**

Disaster recovery arrangements do not adequately protect the Councils (High risk):

- Inconsistent application of disaster recovery sites across both councils. Exercises have not been performed to evaluate and validate the efficiency of these services. Backups held at the data centres are logged and tested by the Service Desk team to ensure appropriate recovery can be made but there is no validation or assurance over these activities to ensure these checks have been regularly performed.
- Lack of formal schedule to conduct periodic recovery tests and exercises to ensure resiliency and availability of services. Scope should prioritise and include all critical applications, services and associated back-up recoveries.

The BCM programme does not protect the critical applications of the Councils (high risk):

- the last BIA exercise was performed more than three years ago, but no documentation is available, and departmental business continuity plans are likely to be outdated. JICT have created a Business Continuity Management System (BCMS) that complement the disaster recovery procedures maintained by the IT infrastructure team for IT services. The disaster recovery procedures document consists of procedures to recover services provided by critical IT applications shared by CDC and SNC as assessed by JICT. It is not informed by an analysis of the Council's critical services, and is unlikely to cover all applications or services deemed to be critical by the business. The Councils' current action plan to review and update BCPs is informal and does not include agreed milestones and action owners.

There was also a special investigation that internal audit conducted in 2016/17 at the request of the Council. This has been reported and action taken by the Council through its Joint Commissioning Committee.

### **1.6.7 Performance and Value for Money**

## Cherwell District Council

Progress in meeting targets for Performance Indicators is reviewed monthly by the Joint Management Team, and quarterly by Overview and Scrutiny and Executive as part of the Performance Management Framework. This ensures that senior managers know which targets are being met and that action is being taken where performance is not meeting targets. Financial performance is measured across a range of indicators that are reported quarterly to Overview and Scrutiny Committee and to the Executive. Budget monitoring is reported quarterly to Budget Planning Committee and to the Executive.

This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for the financial year 2016/17. The Council has a good system of internal control and action plans in place to address the issues highlighted in the internal audit report and seek to ensure continuous improvement of the systems is in place.

**Ian Davies**  
**Interim Chief Executive**  
**30 June 2016**

**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**30 June 2016**

**CHERWELL DISTRICT COUNCIL**

**REQUESTS FOR BUDGET CARRY FORWARDS from 2016/17 to 2017/18**

<b>BUDGET CARRY FORWARD REQUESTS</b>	<b>Head of Service</b>	<b>Amount £000</b>
Public Food Safety salary savings to fund 2017/18 temporary arrangement for EHO post until March 2019	Ian Davies	11
Public Health & Safety salary savings to fund 2017/18 temporary arrangement for EHO post until March 2019	Ian Davies	25
Community Safety - CCTV monitoring underspend to replace old equipment approaching end of life	Ian Davies	25
Heat Network Grant to meet further costs in 2017/18	Karen Curtin	50
		<b>111</b>

## CHERWELL DISTRICT COUNCIL

## CAPITAL OUTTURN 2016/17 AND SLIPPAGE TO BE CARRIED TO 2017/18

DESCRIPTION	BUDGET £000	ACTUAL £000	SLIPPAGE £000	VARIANCE £000	COMMENTS
Financial System Upgrade	0	2	0	2	
HR / Payroll System replacement	38	1	37	0	Current supplier has agreed to continue provision until replacement system implemented. New system to be implemented for 1 March 2018
<b>Chief Finance Officer Total</b>	<b>38</b>	<b>3</b>	<b>37</b>	<b>2</b>	
Bicester Community Building	758	664	94	0	Fit out for the 2nd floor remains unspent but plans are being drawn up to spend this in 16/17. The project as a whole is expected to be overspent by £80k due to construction delay.
Graven Hill	44,428	31,280	13,148	0	The company are currently preparing a revised forecast of spending and cashflow.
NW Bicester Eco Business Centre	4,000	274	3,726	0	Once the procurement exercise is complete in Sept the expected cash flow will become clearer. We should expect the majority of spend to be incurred in 2017/18. Funded from Eco Town Capital
<b>Bicester Regeneration Projects Total</b>	<b>49,186</b>	<b>32,218</b>	<b>16,968</b>	<b>0</b>	
East West Railways	580	0	580	0	Planned to spend in 2017/18 - there is a 5yr schedule of capital contributions to 2019/20
Build Programme	12,291	7,501	4,790	(0)	Project continues into 2017/18
23&24 Thorpe Place Roof Lights	4	0	0	(4)	Retention money held since at least 2013/14 - release the remaining capital funds
Condition Survey Works	176	75	101	0	Work planned for completion in 2016/17. Planned to spend in 2016/17, has now been delayed. - Solihull Partnership
Bradley Arcade Roof Repairs	98	10	88	(0)	Order placed 11th May 16 for completion in 2016/17
Upgrade Uninterrupted Power Supply Back up	337	0	337	0	Work procured through Solihull Partnership. Work is urgent but has now been delayed.
Improvements to Amenities Orchard Way	25	3	22	(0)	Work procured through Solihull Partnership. Likely to have a lengthy lead-in time and has now been delayed.

Woodgreen - Condition Survey Works	30	21	9	0	Project continues into 2017/18
Orchard Way Shopping Arcade Front Serv	300	12	288	0	Work procured through Solihull Partnership. Likely to have a lengthy lead-in time and has now been delayed.
21 23 Thorpe Place Replace Roof Lights	0	27	0	27	Completed - re 2015/16 - release the remaining capital funds
Bodicote House - Access Control System	27	28	0	1	Additional contractor costs have been incurred on this project
Old Bodicote House	73	117	0	44	Reactive maintenance
Bicester Town Centre Redevelopment	99	88	0	(11)	Release the remaining capital funds
Kidlington High Street Pedestrianisation	2	4	0	2	Scheme completed in 2015/16 - small additional costs incurred
Thorpe Lane Depot - CCTV Replacement	40	15	25	(0)	Project to continue in 2017/18
Bodicote House - CCTV Upgrade	15	18	0	3	Revised price greater than budgeted for.
Banbury Bus Station - Refurbishment	90	213	0	123	Revised price greater than budgeted for.
Banbury Museum - Refurbishment Programme	250	212	38	(0)	Project completion due in 2017/18
Community Buildings - Remedial Works	150	0	150	0	Project to commence in 2017/18
Car Parks Resurfacing	100	152	0	52	Reactive maintenance
Ferriston Shop Parade Resurface Car park	40	38	0	(2)	Completed in April awaiting invoice from Solihull
Spiceball Riverbank Reinstatement	50	0	50	0	Due for completion in 2016/17, has now been delayed.
Bolton Road	700	532	74	(94)	Demolition and construction of surface car park, retention sums.
Primary School	30	30	0	30	REFCUS funded from Eco Town Capital
Bicester Cattle Market Car Park Phase 2	90	0	90	0	Project to commence in 2017/18
<b>Assets Facilities Management Total</b>	<b>15,597</b>	<b>9,096</b>	<b>6,642</b>	<b>171</b>	
Disabled Facilities Grants	1,222	729	493	(0)	Grants awarded as required. Underspend in 2016/17 is requested to be slipped into 2017/18

Discretionary Grants Domestic Properties	504	164	340	(0)	Grants awarded as required. Underspend in 2016/17 is requested to be slipped into 2017/18
Empty Homes Work-in-Default Recoverable	100	0	100	0	Grants awarded as required. Anticipate all will be used in 2016/17. Underspend in 2016/17 is requested to be slipped into 2017/18
<b>Private Sector Housing Total</b>	<b>1,826</b>	<b>892</b>	<b>933</b>	<b>(1)</b>	
Corporate Bookings System	8	20	0	12	Completed
Lync 2013 prof fees, equip IT hardware	3	3	0	(0)	
Hyper V Environment (IT hardware)	2	2	0	(0)	
Land & Property Harmonisation	14	8	6	0	Slippage to 2017/18 pending new IT strategy
5 Year Rolling HW / SW Replacement Programme	4	4	0	(0)	5 year rolling programme & slip to 2017/18
Business Systems Harmonisation Programme	172	172	0	(0)	Academy implementation funded from reserves
Website Redevelopment	278	278	0	0	Time spent on project has been capitalised and will be funded from the Capital Projects Reserve £89k
Visualifies Replacement	21	21	0	(0)	
IT Strategy Review	139	0	139	0	for implementation in 17/18
<b>Information Technology Total</b>	<b>641</b>	<b>508</b>	<b>145</b>	<b>12</b>	
<b>Commercial Development Total</b>	<b>67,250</b>	<b>42,714</b>	<b>24,688</b>	<b>182</b>	
Biomass Heating Bicester Leisure Centre	84	(2)	14	(72)	Project works completed, however additional safety works to undertaken circa £14K. £70K not required. Need to slip £14k to cover safety works once a new maintenance supplier is procured in July 2017
Cooper Sports Hall Roof	100	87	0	(13)	Project works completed. £13K not required.
Customer Self-Service Portal CRM Solution	80	0	80	0	Depends on completion of website redevelopment, will now be 17/18.
The Hill Youth Community Centre	850	1	849	(0)	The Hill won't be complete until December 2017 and The Hall's budget is being used predominantly to fit out the new facility
Whitelands Farm Sports ground	1,790	881	909	0	Project construction on going slip £909k into 2017/18.

Community Centre Refurbishments	84	0	84	0	see comment above for the Hill Youth Community centre
Solar Photovoltaics at Sports Centre	80	0	80	0	Needs to be slipped for inverter replacements in 2017-18
Football Development Plan in Banbury	20	0	20	0	Slip £20k to fund the set-up of football partnerships in all urban areas during 2017/18.
North Oxfordshire Academy Astro turf	150	0	150	0	Initial project discussions commenced with ULT any potential works to commence 2017-18 - therefore need to slip £150k
Stratfield Brake Repair Works	22	0	22	0	To spend during early in 2017/18 to upgrade building maintenance - slip £22k
Car Park Refurbishments	5	0	0	(5)	Due for completion in 2016/17, project to be closed
Implementing Vehicle Parks Proposals	17	0	0	(17)	Due for completion in 2016/17, project to be closed
Sports Centre Modernisation Programme	86	0	86	0	Defect dispute on going, retain £239k as relates to retention accrual.
WGLC Dry Side Refurbishment	1,200	1,212	0	12	Works completed but slip into 2017/18 as relates to the retention funds.
Bicester Leisure Centre Extension	150	1	149	0	Slip £149k into 2017/18 as the feasibility studies have just commenced.
Spiceball Leis Centre Bridge Resurfacing	30	0	30	0	Bridge works on hold as the CQ2 works require bridge closure. Slip £30k into 2017/18 for these works to progress once the bridge re opens.
<b>Community Services Total</b>	<b>4,748</b>	<b>2,179</b>	<b>2,473</b>	<b>(96)</b>	
Energy Efficiency Projects	24	4	20	0	Due to staff resources, remaining £20k to be slipped to 17/18
Glass Bank Recycling Scheme	8	0	8	0	No purchases - remaining £8k to be slipped in to 17/18
Recycling Bank Scheme	5	4	0	(1)	Fully committed, no slippage required
Public Conveniences	25	25	0	0	Budget fully committed, works completed
Off Road Parking Facilities	18	0	18	0	Work not commenced, full £18k to be slipped in to 17/18 (Country Park)
Vehicle Replacement Programme	948	820	128	(0)	Budget fully committed for 16/17, 2 vehicles slipped in to 16/17 - late delivery, remaining £128k to be slipped in to 17/18
Wheeled Bin Replacement Scheme	240	70	170	0	Budget not fully committed for 16/17, remaining £170k to be slipped in to 17/18



Urban Centre Electricity Installations	30	0	30	0	Due to increased workload - £30k slippage required in to 17/18, anticipating tender out in qtr 1/2 17/18
<b>Environmental Services Total</b>	<b>1,298</b>	<b>923</b>	<b>375</b>	<b>(1)</b>	
<b>Operations &amp; Delivery</b>	<b>6,046</b>	<b>3,102</b>	<b>2,848</b>	<b>(97)</b>	
<b>Capital Total</b>	<b>73,334</b>	<b>45,820</b>	<b>27,573</b>	<b>88</b>	