

**Committee:**        **Accounts, Audit and Risk Committee**

**Date:**                **Wednesday 29 May 2019**

**Time:**                **7.30 pm**

**Venue:**               **Bodicote House, Bodicote, Banbury, OX15 4AA**

## **Membership**

Councillor Mike Kerford-Byrnes (Chairman)	Councillor Hugo Brown (Vice-Chairman)
Councillor Hannah Banfield	Councillor Nathan Bignell
Councillor Nicholas Mawer	Councillor Les Sibley
Councillor Tom Wallis	Councillor Sean Woodcock

### **Member Training on the Pension Scheme, 6.30pm to 7.30pm**

Prior to the formal meeting of the Committee, Hymans Robertson LLP, who are the actuaries of the Oxfordshire LGPS will lead a training sessions on pension scheme. This will be of particular interest to Accounts, Audit and Risk Committee members but all councillors are welcome to attend.

## **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 records the Minutes of the meetings of the Committee held on 13 March 2019 and 14 May 2019.

6. **Chairman's Announcements**

To receive communications from the Chairman.

7. **Internal Audit - Annual Report 2018/19** (Pages 7 - 24)

Report of the Executive Director, Finance (Interim)

**Purpose of report**

To receive CW Audit Services annual report for 2018/19 in relation to the Internal Audit work undertaken during 2018/19

**Recommendations**

The meeting is recommended:

1.1 To note the contents of the 2018/19 annual report from CW Audit Services.

8. **External Audit Update (Verbal)**

Verbal update by Executive Director: Finance (Interim)

9. **DRAFT Statement of Accounts and Annual Governance Statement 2018/19**  
(Pages 25 - 28)

\*\* Please note this appendix to this report will follow as it is currently being reviewed and finalised\*\*

Report of the Executive Director Finance (Interim)

**Purpose of report**

To receive a report is to ask members to consider and note the DRAFT Statement of Accounts 2018/19 and consider and endorse the Annual Governance Statement 2018/19.

**Recommendations**

The committee is recommended to:

1.1 Consider and note the DRAFT Statement of Accounts 2018/19

1.2 Consider and endorse the Annual Governance Statement 2018/19

**10. Report of Those Charged with Governance 18/19 (Pages 29 - 36)**

Report of the Executive Director Finance

**Purpose of report**

To set out the response to Ernst & Young (EY) regarding the review of management assurance.

**Recommendations**

The committee is recommended to:

- 1.1 Approve the response relating to management assurances from those Charged with Governance at Appendix 1

**11. External Audit Fees 2019/20 (Pages 37 - 50)**

Report of the Executive Director Finance (Interim)

**Purpose of report**

To note the indicative audit fee for 2019/20.

**Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the letter setting out the indicative annual audit fees for 2019/20 from the Councils External Auditors, Ernst & Young (EY).

**12. Exclusion of Press and Public**

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

7 – Information relating to any action taken or to be taken, in connection with the prevention, investigation or prosecution of crime

Members are reminded that whilst the following item has been marked as exempt, it is for the meeting to decide whether or not to consider it 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 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 7 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.”

**13. Progress of Counter Fraud Service (Pages 51 - 54)**

Exempt report of the Senior Investigation Officer – Corporate Fraud Team

**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](mailto:democracy@cherwellandsouthnorthants.gov.uk) or 01295 227956 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 Aaron Hetherington, Democratic and Elections  
aaron.hetherington@cherwellandsouthnorthants.gov.uk, 01295 227956

**Yvonne Rees**  
**Chief Executive**

Published on Monday 20 May 2019

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## 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 13 March 2019 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)

Councillor Hannah Banfield  
Councillor Hugo Brown  
Councillor Nicholas Mawer  
Councillor Tom Wallis  
Councillor Sean Woodcock

Also Present: Anand Persaud, Audit Manager, CW Audit Services

Apologies for absence: Councillor Sean Gaul  
Councillor Ian Corkin

Officers: Adele Taylor, Executive Director: Finance and Governance (Interim) & Section 151 Officer  
Aaron Hetherington, Democratic and Elections Officer  
Mandy Anderson, Financial Analyst  
Belinda Green, Joint Revenue and Benefits Manager - CSN Resources  
Richard Webb, Assistant Director: Regulatory Services and Community Safety  
Hedd Vaughan Evans, Assistant Director Performance and Transformation

#### 60 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

#### 62 **Minutes**

The Minutes of the meeting of the Committee held on 13 March 2019 were agreed as a correct record and signed by the Chairman.

63 **Chairman's Announcements**

There were no Chairman's announcements.

64 **Housing Benefit Subsidy**

The Executive Director: Finance and Governance (Interim) submitted a report to provide members of this Committee with an update on the Housing Benefit subsidy claim audit for the financial year 2017-2018.

**Resolved**

- (1) That the contents of the report be noted.

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

The Executive Director: Finance and Governance (Interim) submitted a report to provide members of this Committee with an update on the Risk Based Verification (RBV) module which was agreed by members of the Accounts Audit and Risk Committee in June 2017 and was introduced for Housing Benefit and Council Tax Reduction new claims from November 2017, and to seek approval for some minor changes to the RBV policy.

**Resolved**

- (1) That the contents of the report be noted.
- (2) That the changes to the RBV policy for 2019-2020 be approved

66 **Internal Audit Update 2018/19**

The Executive Director: Finance and Governance (Interim) submitted a report to receive CW Audit Services update report for 2018/19.

**Resolved**

- (1) That the contents of the 2018/19 internal audit progress report from CW Audit Service be noted.

67 **Internal Audit Plan 2019/20**

The Executive Director: Finance and Governance (Interim) submitted a report which presented the CW Audit Internal audit plan for 2019/20.

**Resolved**



- (1) That the contents of the 2019/20 Internal Audit Plan from CW Audit be noted.

68 **External Audit Progress Update**

The Executive Director: Finance and Governance (Interim) gave a verbal update on work being undertaken by external audit.

**Resolved**

- (1) That the verbal update on the External Audit progress be noted.

69 **Monthly Performance, Risk and Finance Monitoring Report - December 2018**

The Executive Director: Finance and Governance (Interim) and Assistant Director: Performance and Transformation submitted a report which summarised the Council's Performance, Risk and Finance monitoring position as at the end of each month.

**Resolved**

- (1) That the monthly Performance, Risk and Finance Monitoring Report be noted.
- (2) That the Leadership Risk Register be noted.

70 **Treasury Management Report - January 2019**

The Executive Director: Finance and Governance (Interim) submitted a report which presented information on treasury management performance and compliance with treasury management policy for 2018/19 as required by the Treasury Management Code of Practice.

**Resolved**

- (1) That the contents of the January 2019 Treasury Management Report be noted.

71 **Work Programme**

The Committee considered its work programme.

**Resolved**

- (1) That the work programme be noted.

72 **Urgent Business**

There were no items of urgent business.

73 **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(s) 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.

74 **Treasury Management Report - January 2019 - Exempt Appendix**

**Resolved**

(1) That the exempt appendix be noted.

The meeting ended at 8.00 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 14 May 2019 at 7.36pm

Present: Councillor Mike Kerford-Byrnes (Chairman)  
Councillor Hugo Brown (Vice-Chairman)

Councillor Hannah Banfield  
Councillor Nathan Bignell  
Councillor Nicholas Mawer  
Councillor Les Sibley  
Councillor Tom Wallis  
Councillor Sean Woodcock

#### **1 Appointment of Chairman for the Municipal Year 2019/20**

##### **Resolved**

- (1) That Councillor Mike Kerford-Byrnes be appointed Chairman of the Accounts, Audit and Rick Committee for the municipal year 2019/20.

#### **2 Appointment of Vice-Chairman for the Municipal Year 2019/20**

##### **Resolved**

- (1) That Councillor Hugo Brown be appointed Vice-Chairman of the Accounts, Audit and Rick Committee for the municipal year 2019/20.

The meeting ended at 7.37 pm

Chairman:

Date:

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## Cherwell District Council

### Accounts, Audit and Risk Committee

29 May 2019

#### Internal Audit – Annual Report 2018/19

#### Report of the Executive Director, Finance (Interim)

This report is public

#### **Purpose of report**

To receive CW Audit Services annual report for 2018/19 in relation to the Internal Audit work undertaken during 2018/19

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the 2018/19 annual report from CW Audit Services.

#### **2.0 Introduction**

- 2.1 Internal Audit undertakes a programme of work in line with their Audit Plan issued towards the start of each year. On the basis of the work undertaken the Head of Internal audit forms an overall opinion of the Councils governance and control environment. For 2018/19 the overall opinion is moderate assurance, this represents a fair assessment of the Councils assurance framework.

#### **3.0 Report Details**

- 3.1 The Councils are required by the Accounts & Audit Regulations 2015 “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account public sector internal auditing standards or guidance”. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance (in practice the relevant Committees of each Council acting as the ‘Audit’ Committee, to support the Annual Governance Statement, AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation’s control environment ;

- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

3.2 The Council should consider the opinion of the Head of Internal Audit as part of its overall assessment of the assurance framework in place.

3.3 During 2018/19 some weaknesses were highlighted which will be addressed during 2019/20. Please see appendix 1. Progress against these will reported to the Committee at future meetings.

## **4.0 Conclusion and Reasons for Recommendations**

4.1 The Annual Report summarises the Internal Audit work for 2018/19 and reports on the findings of the audits undertaken.

## **5.0 Consultation**

5.1 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 Head of Internal Audit.

## **7.0 Implications**

### **Financial and Resource Implications**

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

Comments checked by:

Kelly Watson, Deputy S151 Officer, 0300 003 0206

[Kelly.watson@cherwellandsouthnorthants.gov.uk](mailto:Kelly.watson@cherwellandsouthnorthants.gov.uk)

## Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email: [richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk)

## Risk Management Implications

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

Comments checked by:

Louise Tustian, Insight Team Leader, 01295 221786  
[Louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:Louise.tustian@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	CW Annual Internal Audit Report 18-19
Background Papers	
None	
Report Author	Leanne Lock, Group Accountant
Contact Information	<a href="mailto:leanne.lock@Cherwellandsouthnorthants.gov.uk">leanne.lock@Cherwellandsouthnorthants.gov.uk</a> 01295 227098

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**Cherwell District Council  
South Northamptonshire Council**

**Internal Audit Annual Report & Opinion 2018/19**

**May 2019**

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**cw audit**  
audit and assurance services

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# 1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Cherwell District Council and South Northamptonshire Council. It also summarises the activities of Internal Audit for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.

The Councils are required by the Accounts & Audit Regulations 2015 to “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account public sector internal auditing standards or guidance”. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance (in practice the relevant Committees of each Council acting as the ‘Audit’ Committee, to support the Annual Governance Statement, AGS), setting out:

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- An opinion on the overall adequacy and effectiveness of the organisation’s control environment ;
  - Disclose any qualifications to that opinion, together with the reasons for that qualification;
  - Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
  - Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
  - Consider delivery and performance of the Internal Audit function against that planned;
  - Comment on compliance with these Standards and the results of any quality assurance programme.

The Councils should consider my opinion, together with management assurances, their own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance can be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. No significant issues or concerns regarding the internal audit service have been raised to date.

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with management. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are detailed within the progress reports and individual assignment summaries that have been issued to the Committee during the year.

## 2 Annual Head of Internal Audit Opinion

### Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement that recognises, records and publishes an authority's governance arrangements.

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In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (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 Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

## The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

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The basis for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

# 3 Work undertaken during the year

## Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

## Delivery of the plan

An internal audit plan for 2018/19 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- We have undertaken reviews of your core financial and payment systems (including budgetary control & MTFP, payroll, general ledger, creditors, debtors, benefits and capital programme & project management) and given significant assurance with regard to the management of risk in these areas, with the exception of creditors, for which we provided moderate assurance.
- Key income systems such as Business Rates and Council Tax have also been subject to review. Moderate assurance was provided in these cases.
- We have undertaken reviews on areas of principal or identified risk and provided relevant assurance opinions in each case. Reviews of cyber security and IT disaster recovery both resulted in significant assurance being provided. Other reviews under this heading resulted in moderate assurance opinions being provided and these are summarised in the following paragraphs.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS. We did however identify some weaknesses in control that caused us to limit the level of assurance we could give in the following areas:

- **Information Governance (GDPR)**

The Councils received a consultant's report in November 2017 that provided a plan of the actions necessary to implement GDPR. This plan was supported by an internally produced project plan. Our review highlighted that progress on implementing these plans had fallen behind for a number of key GDPR requirements. The Council has a plan in place to address this and is ensuring risks in relation to this are being managed.

- **Business Continuity**

This review concluded that although progress has been made in implementing the business continuity recommendations arising from the report written by the Councils' previous internal auditors (PWC); there remained a number of areas where work is still required to achieve appropriate business continuity arrangements.



- **Procurement & Contract Management**

The audit highlighted that some contracts had been extended beyond their end date without either a re-tender exercise taking place, or a formal waiver being agreed to confirm appropriate reasons for extending the contract beyond the end date. We also noted weaknesses in the clarity and accuracy of tender evaluation records for some of the procurement exercises we reviewed. Sample testing of contract terms and conditions also highlighted the need to ensure that action to be taken in the event of poor contractor performance, and when disputes arise, is clearly documented.

- **Human Resources - Recruitment**

This audit highlighted the need for improvements in the documentation and retention of records to support shortlisting, interview and appointment processes; and to review and amend the standard contract of employment for both Councils. The requirement to implement a programme of centralised training to ensure that recruitment managers can appropriately undertake their recruitment and selection duties was also highlighted.

- **Creditor Payments**

This audit highlighted the need for formal reports on invoices that are either not supported by an order, or that are supported by a retrospective order, to be produced regularly and subject to monitoring and action where necessary.

- **Council Tax and Business Rates**

Both these systems were provided with a moderate assurance opinion, largely on the basis that resource shortages contributed to a three month suspension of debt recovery action during the summer of 2018 in order to deal with a backlog of correspondence from council tax and business rates payers. Ongoing resource management is something the councils are actively working on,

### **Third party assurances**

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

### **Following up of actions arising from our work**

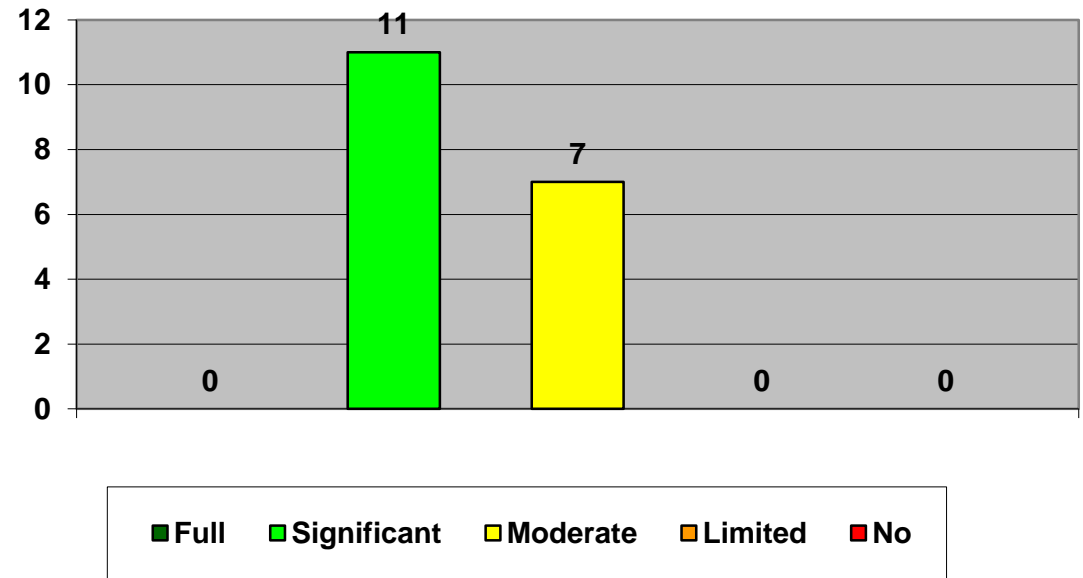
Page 20 All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issuance of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2018/19 year is included as Appendix 2 to this report. In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

## 4. Quality Assurance

All audits have been conducted in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which includes evidenced review by senior management of all audit files and reports produced. I can confirm that there have been no issues of non-compliance with the PSIAS during the course of the year. CW Audit's systems and processes for complying with PSIAS were confirmed as appropriate to need by an external assessment that was carried out in April 2018. I can confirm that all audits completed during 2018/19 were carried out in accordance with these systems and processes.

### Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Cyber Security	Significant
Information Governance - GDPR	Moderate
IT Disaster Recovery	Significant
Business Continuity	Moderate
Corporate Health & Safety	Significant
Procurement & Contract Management	Moderate
Human Resources - Recruitment	Moderate
Legal Compliance	Significant
Budget Management & MTFP	Significant
Capital Programme & Project Management	Significant
Payroll	Significant
General Ledger	Significant
Creditor Payments	Moderate
Treasury Management	Significant
Council Tax	Moderate
Business Rates	Moderate
Debtors	Significant
Benefits	Significant
Homes England Grant Certification	N/A
Disabled Facilities Grants	N/A



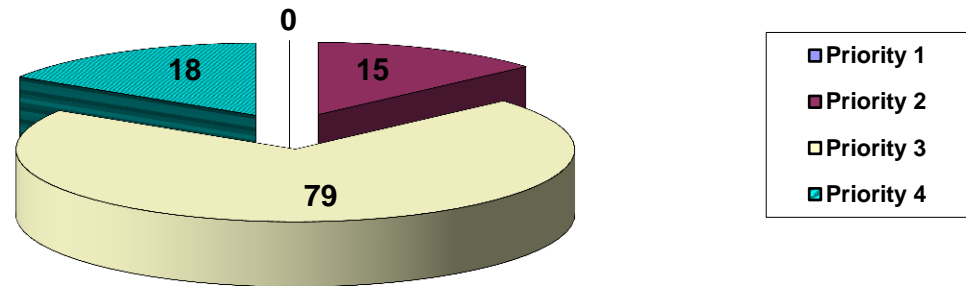
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Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

## Summary of Internal Audit Recommendations

### Recommendations made in 2018/19

Priority	Number
1	0
2	15
3	79
4	18
<b>Total</b>	<b>112</b>

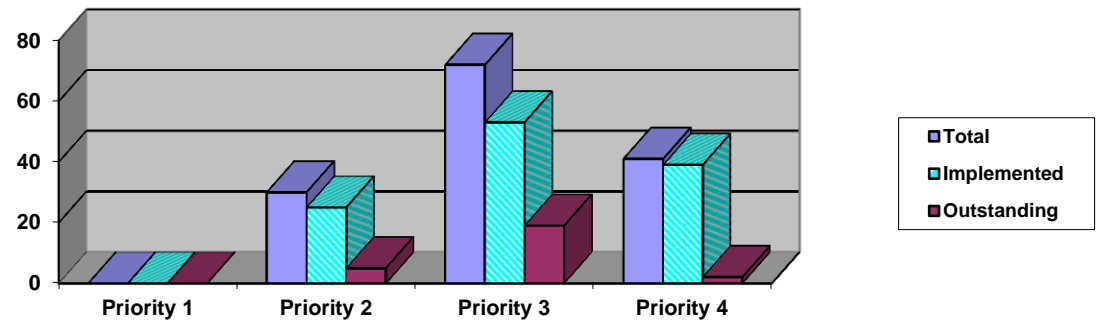


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### Current status of all recommendations due for implementation by 31st March 2019

(N.B. including recommendations made by previous internal auditors (PWC), but excluding 2018/19 recommendations that fall due for implementation after 31<sup>st</sup> March 2019)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	30	25	5
3	72	53	19
4	41	39	2
<b>Total</b>	<b>143</b>	<b>117</b>	<b>26</b>



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## Cherwell District Council

### Accounts, Audit & Risk Committee

29 May 2019

<p><b>DRAFT Statement of Accounts and Annual Governance Statement 2018/19</b></p>
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### Report of the Executive Director Finance (Interim)

This report is public

#### Purpose of report

To receive a report is to ask members to consider and note the DRAFT Statement of Accounts 2018/19 and consider and endorse the Annual Governance Statement 2018/19.

#### 1.0 Recommendations

The committee is recommended to:

- 1.1 Consider and note the DRAFT Statement of Accounts 2018/19.
- 1.2 Consider and endorse the Annual Governance Statement 2018/19

#### 2.0 Introduction

- 2.1 The Statement of Accounts has been prepared in accordance with all relevant statutory reporting requirements.
- 2.2 The statutory timescale requires the Statement of Accounts to be approved by the S151 Officer and received by the Councils External Auditor, Ernst & Young (EY) by 31 May 2019.
- 2.3 The Annual Governance Statement sets out the assurance framework in place across the Council and an assessment of this during 2018/19.

#### 3.0 Report Details

- 3.1 The timescales for production and auditing of the 2018/19 Statement of Accounts are shorter than in previous years. The Council has worked closely with External Audit to review the timescales and deliver the DRAFT Statement of Accounts for 2018/19.

- 3.2 The Statement of Accounts set out the financial performance of the Council during 2017/18 and provides useful information for the public and stakeholders to identify how the Council has managed public resources across the district.
- 3.3 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.
- 3.4 The Annual Governance Statement 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 2018/19.
- 3.5 The Annual Governance Statement takes assurance from several mechanisms including the internal audit work, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the scrutiny process and external audit.

#### **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The DRAFT Statement of Accounts has been prepared in a timely manner and in accordance with statutory requirements. The Annual Governance Statement provides assurance on the Governance Framework in place across the Council.

#### **5.0 Consultation**

None

#### **6.0 Alternative Options and Reasons for Rejection**

- 6.1 None

#### **7.0 Implications**

##### **Financial and Resource Implications**

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

Comments checked by:

Kelly Watson, Deputy S151 Officer, 0300 003 0206

[Kelly.watson@cherwellandsouthnorthants.gov.uk](mailto:Kelly.watson@cherwellandsouthnorthants.gov.uk)

##### **Legal Implications**

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:

[richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk)



## Risk Management Implications

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

Comments checked by:

Louise Tustian, Insight Team Leader, 01295 221786

[Louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:Louise.tustian@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	Statement of Accounts and Annual Governance Statement 2018/19 (To Follow)
<b>Background Papers</b>	
None	
<b>Report Author</b>	Adele Taylor, Executive Director Finance (Interim) and S151 Officer
<b>Contact Information</b>	<a href="mailto:adele.taylor@Cherwellandsouthnorthants.gov.uk">adele.taylor@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

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## Cherwell District Council

### Accounts, Audit & Risk Committee

29 May 2019

<b>Review by Those Charged with Governance</b>
--

### Report of the Executive Director Finance

This report is public

#### **Purpose of report**

To set out the response to Ernst & Young (EY) regarding the review of management assurance.

#### **1.0 Recommendations**

- 1.1 The committee is recommended to:
- Approve the response relating to management assurances from Those Charged with Governance at Appendix 1

#### **2.0 Introduction**

- 2.1 This report informs members of the committee of the managements assurances set out from Those Charged with Governance.

#### **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 Committee (as Those Charged with Governance) about the Council's management arrangements.
- 3.2 The response is contained in Appendix 1.

#### **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The Committee is recommended to note the progress of the Statement of Accounts for 2018/19 and approve the response set out at Appendix 1.

#### **5.0 Consultation**

None

## 6.0 Alternative Options and Reasons for Rejection

6.1 None, the response 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:

Kelly Watson, Deputy S151 Officer, 0300 003 0206

[Kelly.watson@cherwellandsouthnorthants.gov.uk](mailto:Kelly.watson@cherwellandsouthnorthants.gov.uk)

### Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:  
[richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk)

### Risk Management Implications

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

Comments checked by:

Louise Tustian, Insight Team Leader, 01295 221786

[Louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:Louise.tustian@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	Response from Those Charged with Governance (TCWG)
<b>Background Papers</b>	
None	
<b>Report Author</b>	Adele Taylor, Executive Director Finance S151 Officer (Interim)
<b>Contact Information</b>	<a href="mailto:adele.taylor@Cherwellandsouthnorthants.gov.uk">adele.taylor@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0103

# Finance & Procurement

Adele Taylor, Executive Director, Finance & Governance



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: Adele Taylor

Direct Dial: 0300 003 0103

Email: [adele.taylor@cherwellandsouthnorthants.gov.uk](mailto:adele.taylor@cherwellandsouthnorthants.gov.uk)

Our Ref: AT/KW

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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 S151 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 2018/19 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 S151 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 S151 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, CW Audit Services.

(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 them 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 internal audit reports on an exceptional and risk based basis and the audits undertaken include 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 2018/19 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.
- 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 Head of Internal Audit 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 S151 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 Head of Internal Audit.

The Head of Internal Audit 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 2018/19 will be presented to the Accounts, Audit & Risk Committee.

All risks identified 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 Head of Internal Audit 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 2018/19, the audit plan was approved by the Committee. The



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

(b) The Accounts, Audit & Risk Committee

- The Accounts, Audit & Risk Committee has access to internal audit reports and within these reports any possible fraudulent activity identified through the audit work would be recorded. In addition, the Head of Internal Audit would report any fraudulent, or potentially fraudulent, activity to the Committee in his regular progress reports.
- The Head of Internal Audit, 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 2018/19?**

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 2018/19 financial statements. I am confident that if any such instances were discovered, suspected or alleged they would be brought to my attention by the S151 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 Accounts, Audit & Risk Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19?**

The authority has a statutory S151 officer (Executive Director, Finance and Governance) and monitoring officer (Assistant Director, 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 aware of one potential claim as at the date of this letter. The committee will continue to receive updates on this and any potential issues and consider 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.

The committee does note the current review of arrangements for Northamptonshire and will remain in dialogue with South Northamptonshire Council as the review progresses.

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.

Yours sincerely

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

## Cherwell District Council

### Accounts, Audit and Risk Committee

29 May 2019

<b>External Audit – Annual Audit Fees 2019/20</b>
---

### Report of the Executive Director Finance (Interim)

This report is public

#### **Purpose of report**

To note the indicative audit fee for 2019/20.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 to note the contents of the letter setting out the indicative annual audit fees for 2019/20 from the Councils External Auditors, Ernst & Young (EY).

#### **2.0 Introduction**

- 2.1 For 2019/20, Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body that has opted into its national auditor appointment scheme.

#### **3.0 Report Details**

- 3.1 The letter sets out the indicative fees for 2019/20. The fee reflects the risk-based approach to audit planning and the letter sets out what the fee covers.
- 3.2 The audit of housing benefit subsidy claim is subject to separate engagement with EY and we are in the process of procuring the services for this to be undertaken for 2019/20.

#### **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The indicative fee is set out in the letter for information to the committee.

## **5.0 Consultation**

5.1 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.

## **7.0 Implications**

### **Financial and Resource Implications**

7.1 The financial implications arising directly from this report are contained in 3.2. This cost is already incorporated into the Councils budget.

Comments checked by:

Kelly Watson, Deputy S151 Officer, 0300 003 0206

[Kelly.watson@cherwellandsouthnorthants.gov.uk](mailto:Kelly.watson@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:

[richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk)

### **Risk Management Implications**

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

Comments checked by:

Louise Tustian, Insight Team Leader, 01295 221786

[Louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:Louise.tustian@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	EY Audit Fees 19/20
Background Papers	
None	
Report Author	Adele Taylor, Executive Director Finance and S151 Officer (Interim)
Contact Information	<a href="mailto:adele.taylor@cherwellandsouthnorthants.gov.uk">adele.taylor@cherwellandsouthnorthants.gov.uk</a> 0300 003 0103

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Ms. Yvonne Rees  
Chief Executive  
Cherwell District Council  
Bodicote House, Bodicote  
OX15 4AA

30 April 2019

Ref: Fee Letter/19-20

Direct line: 01223 394459

Email: [NHarris2@uk.ey.com](mailto:NHarris2@uk.ey.com)

Dear Yvonne

### **Annual Audit 2019/20**

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at Cherwell District Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

The appointment of an auditor to report on the Council's housing benefit subsidy claim is no longer covered by the PSAA appointment.

### **Indicative audit fee**

For the 2019/20 financial year, PSAA has set the scale fee for each opted-in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

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; and

- Whole of Government accounts.

Our final fee will include the impact of additional risks and/ or circumstances that are out of the scope of the scale fee, for example:

- the preparation of group accounts;
- additional work performed on asset valuations, including the involvement of our valuation specialists;
- additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- additional work arising from the implementation of IFRS 16 Leases.

At this stage, the indicative fee is set at the scale fee.

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 to that of the prior year;
- officers meeting the agreed timetable of deliverables;
- our accounts opinion and value for money conclusion are unqualified;
- appropriate quality of documentation is provided by officers;
- 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 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Scale Fee	40,138	40,138	52,127
Impact of preparation of group accounts	10,000	10,000	10,000
Other SFVs planned or proposed (1)		6,000	24,000
Total Code audit fee	50,138	56,138	86,127
Other fees charged by us e.g. reporting on Housing Benefit claim	TBC	4,500 (2)	8,844

*NB:*

- (1) *the detail behind SFVs is shown in the 2017/18 Audit Results Report and 2018/19 Audit Plan.*
- (2) *the proposed Housing Benefit fee for 2018/19 is for the certification of the claim only. Each area of extended testing will add £1,000 - £3,000 to the fee, depending on complexity.*

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

### Billing

The scale fee will be billed in 4 quarterly instalments of £10,034.50.  
Housing Benefit work will be billed separately.

**Audit plan**

We expect to issue our plan in January 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. 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 Executive Director of Finance and Governance (Interim) and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit Committee Chairman.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain 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, or Janet Dawson as our Government and Public Sector Assurance Leader at [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com). If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 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 sincerely



Neil Harris  
Associate Partner  
For and on behalf of Ernst & Young LLP

cc. Adele Taylor, Executive Director of Finance and Governance (Interim)  
Councillor Mike Kerford-Byrnes, Audit Committee Chairman.

Confidential

# EY working with you

An overview of our approach

March 2019

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# Our commitment to you



Cherwell District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed EY as your auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk).



Janet Dawson – Partner

I am the lead partner for this contract, and EY's Global Government and Public Sector Assurance Leader. I have been a partner in Government and Public Sector (GPS) assurance services for 14 years, and have over 20 years of experience and knowledge from working in the sector. My work across health and central government brings an understanding of the broader context of the environment that you operate within.

My appreciation of the value of audit, transparency, and the importance of working in partnership with the public sector aligns with PSAA in promoting and supporting those values through our work. I have asked Neil Harris to lead your engagement on behalf of EY. Our commitment to quality and culture of consultation means that they will draw on the expertise within the firm in fulfilling this responsibility.

Our extensive experience of providing a range of assurance services has demonstrated that strong relationships, clear communication, and investing time with our clients to understand their issues delivers the highest quality outcomes.

This is our commitment to you.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach, and what clients can expect from us. A summary of the key points of the method statement follows. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.



# Working with you

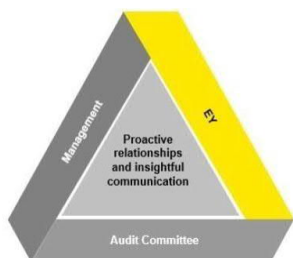
## Communication

Our experience shows that close, constructive working relationships are built on trust and open dialogue.

Neil Harris is your engagement lead and responsible for our relationship protocols, overall audit service and quality. We meet regularly with Officers and Members, discussing sector challenges and bringing insights from our network. Your engagement manager, Sue Gill, is a key contact and brings significant experience of managing local authority audits.

Our relationship protocols allow you to escalate concerns to Janet Dawson (Contact Partner) or Steve Varley (UK Managing Partner) should you need to.

Our Audit Planning Report contains further information on our planning approach and timetable, giving you a risk based, tailored audit. We ensure our senior leaders are accessible for management and members.



## Knowledge and training

Significant investment in the development of dedicated GPS teams is part of our commitment to improve skills in the public sector. Our structured recruiting and training approach delivers the best audit quality. All our training is developed by technical specialists and is quality and risk assessed. Staff must pass online tests following training, to demonstrate they can apply the learning in practice.

GPS sector specific training including emerging opportunities and risks, new requirements and specific technical areas, e.g., capital accounting, group accounts, LG pensions and other areas.

Topics are derived from our sector knowledge and stakeholder engagement.

We share these insights with you via our Audit Committee Briefings, Public Sector Accounting Workshops, Audit Committee Forums and other bespoke training sessions.



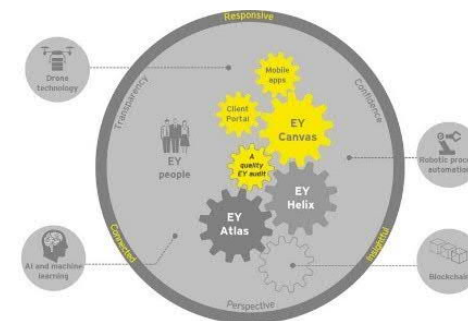
## Quality and Innovation

Audit quality is our primary goal in ensuring confidence in public services in a landscape of constant change and uncertainty. Factors which contribute to achieving consistently high quality audits are our people, tailored audits, consultation, and engagement quality reviews.

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues.

Audit quality is at the heart of our innovation strategy.

We will continue to innovate and integrate new technologies into our audit process. The technologies discussed so far are just the start of our journey, designed to grow and be enhanced with additional functionalities.





# Value beyond the audit

In line with the firm's broader vision to build a better working world, EY's commitment to, and investment in, the public sector is focussed on delivering sustainable social value.

We are the first of the Big 4 firms to establish an apprenticeship programme awarded 'employer status' by the Skills Funding Agency, that specifically addresses the needs of deprived communities. 'EY Business Apprenticeships' is a way of investing in local people, directly challenging the UK skills gap, whilst prioritising those from deprived communities, and disadvantaged backgrounds. Our work under the PSAA contract enable us to create around 165 additional apprentice roles.

EY was also the major graduate recruiter to change our minimum entry requirements, increasing inclusivity by opening up opportunities for talented individuals regardless of their background and education.



## Economic and Social

We deliver socio-economic improvements by carefully aligning existing initiatives to our clients' objectives, for example, local authorities' focus on local employability.

Examples include: Removing barriers to employment and education: our 'Smart Futures' initiative provides Year 12 students access to paid work experience, employability workshops and career talks plus 10-months of mentoring from an EY employee. We deliver this from 11 EY offices across the UK. The benefit to you is that we focus on state schools and prioritise those on free school meals. In addition, our 'Stay Curious' and 'Employability Support' initiatives raise awareness of audit career opportunities to STEM students and provide CV advice, networking, mock interviews and assessment centres. Collectively the improvement outcomes include increased employability for young people in the community, connecting schools, universities, employers and building confidence in the students themselves.

Supporting local businesses for prosperity in the community: the EY Foundation, our independent charity, supports collaboration between young people and local businesses. The benefit is a community better connected, focussed on key issues, and providing a voice to the under privileged.

Our global EY Ripples programme enables our staff to donate time to make use of their knowledge, skills and experience to support young people and impact entrepreneurs, by providing mentoring support, business skills training, and more equitable access to resources – to drive sustainable inclusive growth.

## Environmental

We protect the environment by minimising waste and using resources efficiently, e.g., we proactively manage and monitor the environmental impacts of our supply chain, and our own people. We encourage carbon footprint reduction through initiatives such as Bike to Work, Flexible Working Policy, and our sustainable travel strategy. We have also made changes to our processes from procurement to recruitment to minimise the environmental impact of them on the wider world.

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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