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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Accounts, Audit and Risk Committee

Date: Wednesday 29 July 2020

Time: 6.30 pm

Venue: Virtual meeting

Membership

Councillor Mike Kerford-Byrnes (Chairman)

Councillor Hannah Banfield
Councillor Conrad Copeland
Councillor Tom Wallis

Councillor Hugo Brown (Vice-Chairman)

Councillor Nathan Bignell
Councillor Nicholas Mawer
Councillor Sean Woodcock

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

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

3. Petitions and Requests to Address the Meeting

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

4. Minutes (Pages 7 - 10)

To confirm as a correct record the Minutes of the meeting of the Committee held on 22 January 2020.

5. Chairman's Announcements

To receive communications from the Chairman.

6. Urgent Business

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

7. Monthly Performance, Risk and Finance Monitoring Report - Quarter 4 / March 2020 (Pages 11 - 36)

Report of Assistant Director of Finance and Head of Insight and Corporate Programmes

Purpose of report

This report summarises the Council's Performance, Risk and Finance monitoring position as at the end of each month.

Recommendations

The meeting is recommended:

- 1.1 To note the monthly Performance, Risk and Finance Monitoring Report.

8. Internal Audit Annual Report and Opinion 2019/20 (Pages 37 - 50)

Report of the Director of Finance

Purpose of report

To receive the Internal Audit Annual Report, which provides the Head of Internal Audit's opinion and also summarises the activities of Internal Audit for the period 1st April 2019 to 31st March 2020.

Recommendations

The meeting is recommended to:

- 1.1 note and receive the Head of Internal Audit's Annual Report and opinion.

9. Internal Audit Strategy and Plan 2020/21 (Pages 51 - 68)

Report of the Director of Finance

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2020/21.

Recommendations

The meeting is recommended to:

- 1.1 note and comment on the Internal Audit Strategy and Plan for 2020/21.

10. Internal Audit Charter 2020/21 (Pages 69 - 86)

Report of the Director of Finance

Purpose of report

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2020/21.

Recommendations

The meeting is recommended to:

- 1.1 Approve the Internal Audit Charter.
- 1.2 Note the Quality Assurance and Improvement Programme.

11. Counter Fraud Progress Update (Pages 87 - 136)

Report of the Director of Finance

Purpose of report

This report provides an update of the activity being undertaken to prevent and counter fraud across the Council's services, along with seeking approval of three related and updated policy statements.

Recommendations

The meeting is recommended to:

- 1.1 Review and note the current progress of the work of the Corporate Fraud team
- 1.2 Consider future work plans and arrangements during 2020/21 and beyond
- 1.3 Approve the updated Whistle Blowing Policy, Money Laundering Policy and Anti-Fraud and Corruption Policy.

12. Accounts and External Audit Update including Audit Fees 2019/20 (Verbal Update)

Verbal update by Director of Finance and Ernst & Young, External Audit.

13. 2019/20 Treasury Management Annual Report (Pages 137 - 148)

Report of the Director of Finance

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 2019/20 as required by the Treasury Management Code of Practice.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report in line with the Treasury Management Strategy.

14. Work Programme (Pages 149 - 150)

To consider and review the Work Programme.

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwellandsouthnorthants.gov.uk or 01295 221554 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Access to Meetings

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

Mobile Phones

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

Queries Regarding this Agenda

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

Yvonne Rees
Chief Executive

Published on Tuesday 21 July 2020

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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 22 January 2020 at 6.30 pm

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

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

Also Present: Councillor Barry Wood, Leader of the Council
Tony Ilott, Lead Member for Financial Management & Governance
Neil Harris, Associate Partner, Ernst Young, External Auditor
Anand Persaud, CW Audit Services

Apologies for absence: Councillor Les Sibley

Officers: Adele Taylor, Executive Director: Finance (Interim) & Section 151 Officer
Dominic Oakeshott, Assistant Director (Interim) - Finance
Sharon Hickson, Democratic and Elections Officer

50 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

52 **Minutes**

The Minutes of the meeting of the Committee held on 20 November 2019 were agreed as a correct record and signed by the Chairman.

53 **Chairman's Announcements**

There were no Chairman's announcements.

54 **Urgent Business**

There were no items of urgent business.

55 **Internal Audit - Progress Report 2019/20**

The Executive Director – Finance (Interim) submitted a report which presented the CW Internal Audit Services progress report for 2019/20.

A revised appendix was circulated to the Committee. The Audit Manager, CW Audit Services highlighted the changes to the figures in section 2, the Executive Director, Finance (Interim) reassured members that there were no concerns regarding the numbers contained in the summary table on Implementation of agreed actions and that these were expected to reduce again by the time the next report was considered.

Resolved

- (1) That the contents of the 2019/20 progress report from CW Internal Audits Services be noted.

56 **Draft Capital, Investment and Treasury Management Strategies 2020-21**

The Executive Director Finance (Interim) submitted a report which presented the draft, capital, investment and treasury management strategies for 2020-21.

These reports were presented in a draft version to the Committee at the meeting on 20 November 2019 and had subsequently been updated following comments from Members and advice from the Council's treasury management advisers, Arlingclose. They had also been updated with figures from the 31 December 2019 monitoring reports.

Resolved

- (1) That the draft Treasury Management Strategies 2020/21 be recommended to Council for adoption.

(Councillor Sean Woodcock requested that his abstention in the vote be recorded in the minutes)

57 **Work Programme**

The Committee considered its work programme for the remainder of 2019/20 and the indicative work programme for 2020/21.

The Assistant Director – Finance (Interim), highlighted the meeting entry for 24 June 2020, explaining that this would only take place if the accounts for 2019/20 were ready for sign off.

Resolved

- (1) That, having given due consideration the Work Programme 2019/20 and 2020/21 be noted.

58 **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, Paragraphs 3 and 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.

59 **Progress of Counter Fraud Service**

The Senior Investigation Officer - Corporate Fraud Team submitted a report which provided an overview of the progress of the counter fraud response following the delegation of authority in July 2018 to Oxford City Council.

Resolved

- (1) That the exempt report be noted.

60 **Closure of Account 2018/19 Update**

The Executive Director of Finance (Interim) provided an exempt verbal update on the Closure of Accounts 2018/19.

Resolved

- (1) That the exempt verbal update be noted.

61 **Executive Director Finance (Interim)**

The Chairman advised the Committee that this was the last meeting of the Committee that the Executive Director, Finance (Interim) would be attending as she was leaving Cherwell District Council at the end of February to take up a new role at another local authority.

The Chairman also advised the Committee that the Engagement Partner, Ernst & Young, External Audit was moving roles within the company and therefore this would be his last meeting.

Members thanked both the Executive Director, Finance (Interim) and the Engagement Partner, Ernst and Young for their hard work supporting the Committee and wished them well in their new posts

The meeting ended at 7.33 pm

Chairman:

Date:

Cherwell District Council

Accounts, Audit and Risk Committee

29 July 2020

<p>Monthly Performance, Risk and Finance Monitoring Report – Quarter 4 / March 2020</p>
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**Report of Assistant Director of Finance and
Head of Insight and Corporate Programmes**

This report is public

Purpose of report

This report summarises the Council's Performance, Risk and Finance monitoring position as at the end of each month.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the monthly Performance, Risk and Finance Monitoring Report.

2.0 Introduction

- 2.1 The Council is committed to performance, risk and budget management and reviews progress against its corporate priorities on a monthly basis.
- 2.2 This report provides an update on progress made so far in 2019-20 to deliver the Council's priorities through reporting on Performance, the Leadership Risk Register and providing an update on the financial position.
- 2.3 The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2019-20 business plan and the priorities of the Council. These measures and key performance indicators are reported on a monthly basis to highlight progress, identify areas of good performance and actions that have been taken to address underperformance or delays.
- 2.4 As part of monthly reporting the Insight Team provides the Senior Management Team with a complaints report, as part of this report complaints received are monitor and analysed. The mandatory lessons learned has been implemented for more than a year now and we are starting to see a decrease in the number of upheld complaints. Lessons learned are reported to CEDR and progress is monitored to ensure actions are implemented to avoid the same complaint being reported. During this year we have seen a 17% reduction in the number of upheld

Stage 1 complaints and a 20% decrease for Stage 2 in comparison with previous financial year 2018/19.

2.5 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register at the date this report is published is included in this report.

2.6 The Report details section is split into three parts:

- Performance Update
- Leadership Risk Register Update
- Finance Update

2.7 There is one appendix to this report:

- Appendix 1 – Leadership Risk Register

3.0 Report Details




Performance Update

3.1 The Council’s performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2019-20 business plan (see Appendix 1) and the priorities of the Council.

3.2 The 2019-20 business plan set out three strategic priorities:

- Clean, Green and Safe.
- Thriving Communities and Wellbeing.
- District of Opportunity and Growth.

3.3 This report provides a summary of the Council’s performance in delivering against each strategic priority. To measure performance a ‘traffic light’ system is used. Where performance is on or ahead of target it is rated green, where performance is slightly behind the target it is rated amber. A red rating indicated performance is off target.

Colour	Symbol	Meaning for Business Plan Measures	Meaning for Key Performance Measures (KPIs)
Red		Significantly behind schedule	Worse than target by more than 10%.
Amber		Slightly behind schedule	Worse than target by up to 10%.
Green		Delivering to plan / Ahead of target	Delivering to target or ahead of it.

Priority: Clean, Green and Safe.

3.4 The Council is committed to protecting the natural environment and ensuring the character of the district is preserved and enhanced. Our commitment included working to ensure the district has high standards of environmental cleanliness and greater waste and recycling services. Maintaining the district as a low crime area is another key part of this priority and the Council is committed to working in partnership to deliver against this objective.

3.5 Overview of our performance against this strategic priority:

Protect the Built Heritage reported Amber for March and End of Year. The Conservation team continue to work closely with Development Management on cases of heritage interest. The Conservation Area Appraisal programme is on-going. Nine Conservation Area Appraisals are in progress. Eight have been subject to public consultation and another is being drafted. Several heritage guidance notes are also being prepared. The Team intend to complete as many as possible as soon as possible while maintaining its service to Development Management and continuing the transition to remote working.



Supporting community safety - The Community Wardens continue to operate in the community, in particular to support the new measures seeking to reduce the spread of COVID-19. Supporting Thames Valley Police efforts to make sure Social distancing rules are followed by residents.

% Waste Recycled & Composted reported Amber for March and End of Year. The recycling rate for the year was 55.7%, 0.3% short from our 56% target, but still a 1% more than the previous year.



Priority: Thriving Communities and Wellbeing

3.6 The Council is committed to supporting our communities to thrive and to promoting the wellbeing of our residents. This priority includes supporting health and wellbeing, improving leisure facilities and delivering leisure activities and working in partnership with voluntary organisations to deliver services in a manner that safeguards children, young people and vulnerable adults. Another key aspect of this priority is preventing homelessness, the delivery of affordable housing and improving the condition of residential properties.

Overview of our performance against this strategic priority:



Number of visits / usage of District Leisure Centres - reported Red for March and Green for End of Year. Usage numbers are lower than expected for March 2020 against the same period last year. This is primarily due to the closure of both the Leisure Centres from Saturday 21st March and the Joint Use Leisure Facilities from Friday 20th March. The usage for March 2020 was

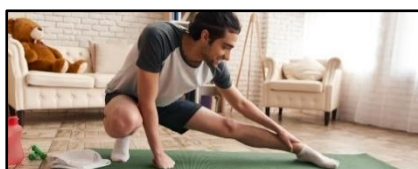
89,103, however this doesn't include the figures for the Joint Use Centres as these are held on paper copy at the individual sites and therefore, haven't been received. There has been a reduction in users at Spiceball irrespective of the closure due to the difficulties with car parking and easy access to the Centre.

Number of people helped to live independently through use of DFG & other grants/loans – The Team provided assistance to a total of 73 households in March; 31 by means of completed disabled adaptations grants (larger jobs) and 42 through smaller works. For the year as a whole that meant we helped 642 vulnerable and disabled households against our annual target of 540.

Number of Homeless Households living in Temporary Accommodation - reported Red for March and Green for End of Year. On instruction from MHCLG due to the COVID-19 crisis local authorities have been required to accommodate all those who were rough sleeping or at risk. This has resulted in an unprecedented rise in presentations from single people for placements. As well as 22 families now placed in self-contained temporary accommodation as of 9/4/20 an additional 26 single people have been placed. Additional units of accommodation have been acquired in local hotels and guest houses over and above the normal emergency provision. It is expected demand will increase as the current lockdown continues and further placements are needed.



Promoting Health and Wellbeing - March presented a range of new challenges generated by the COVID-19 pandemic. Communities have shown their resilience and neighbourliness. Cherwell Districts wellbeing team have engaged with a wide range of partners and activated community networks to relieve hardship and enable residents to maintain their health and wellbeing.



Homes improved through enforcement action - reported Red for March and Green for End of Year. Enforcement actions were concluded at 5 homes in March (including 3 where energy efficiency works were undertaken in response to proactive Minimum Energy Efficiency Standards (MEES) interventions). Although work during the month was interrupted by changes to safe working arrangements caused by the COVID-19 epidemic, we were still able to achieve a total of 111 homes improved during the year, exceeding our target of 108.



Supporting the voluntary sector - Residents are receiving the support they need from a variety of voluntary, charitable, community and faith based organisations. This shows the breadth and depth of the support Cherwell District Council gives these organisations and the understanding of their critical place in maintaining community.

The Sunshine Centre, The Hill and Banbury Mosque have distributed activity bags to targeted families in the Brighter Futures areas in Banbury, Citizens Advice Community Connect service (the volunteer drivers' scheme) has been repurposed to be an emergency



food delivery service, Age UK are operating a telephone line for elder isolated or anxious residents to be able to talk to someone. Community Halls have closed, and new groups are forming to help neighbours. OCVA (Oxfordshire Community and Voluntary Action) are providing "Oxfordshire All In"; a digital platform to map these new groups and existing ones, and act as a channel of information and support. Prescription delivery services have been set with running and cycling clubs in Banbury and Bicester, with a similar service being provided by KASA Community Help in Kidlington, to ensure that vulnerable residents who are self-isolating are able to get their routine medicines.

% of Business Rates collected, increasing NNDR Base - reported Red for March and Amber for End of Year. Having achieved 98.49% against a target of 98.5% on collection rates, the shortfall equated to approx. £10k. Reminder and final notices were issued week commencing 16 March however we have now experienced a



large amount of direct debit cancellations from companies unable to pay their March instalment on either 18 or 25 March. Whilst we had been proactively calling out it is not appropriate to chase money whilst businesses are experiencing hardship due to COVID-19.

Homelessness Prevention - reported Amber for March and Green for End of Year. The COVID-19 pandemic has required the Cherwell District Council's housing team to stay at home and adopt new working arrangements the unprecedented demand from single applicants presenting themselves as homeless, has required the team to focus on responding to this immediate crisis situation. The ability to deliver a fully focused prevention service is curtailed, although Options Officer continue to provide the best service possible.

Priority: District of Opportunity and Growth

3.8 The Council is committed to developing the local economy, promoting inward investment and delivering sustainable growth. This priority also contributes towards making great places to live, work, visit and invest through economic development and working in partnership to deliver strategic transport infrastructure projects.

3.9 Overview of our performance against this strategic priority:

Deliver Innovative and Effective Housing Schemes - reported Amber for March and End of Year. The remaining 9 Hope Close completions were due to happen in the next 3 months. One has had to withdraw as they lost their job but the remaining 8 are still interested. Our solicitors have proposed exchanging contracts with a long stop completion date in December 2020 to secure the sales. These are being progressed with the purchasers if they are in agreement.

Deliver the Local Plan - the Partial Review of the Local Plan modifications were approved by the Council on 24 February 2020 and submitted to the planning Inspector the following day. Officers are awaiting the Inspector's final report. An updated Local Development Scheme - the programme for the preparation of future planning policy



documents - was approved by the Executive on 2 March 2020. The LDS includes timetables for the completion of the Local Plan Partial Review, work on the Oxfordshire Plan 2050, a new district-wide Local Plan Review, a Banbury Canalside Supplementary Planning Document (SPD) and a potential Community Infrastructure Levy. The Planning Policy team intends to work as close to business as usual as possible during the COVID-19 outbreak and have commenced work to deliver this programme.

Promote the district as a tourist destination - reported Amber for March and End of Year. Membership and day-to-day liaison with Experience Oxfordshire, which promotes Cherwell as a visitor destination. We have identified the need for the Visitor Economy sector to be supported through the COVID-19 pandemic.

Develop a Cherwell Industrial Strategy - reported Amber for March and End of Year. A draft strategy is planned for consultation in Summer 2020, but this timeline



is under review because of the current need for staff engagement with the business community in response to COVID-19. CIS links to the Oxfordshire Local Enterprise Partnership (OxLEP) Local Industrial Strategy which is a key and underpinning component of the Oxfordshire Housing and Growth Deal (Productivity workstream).

Promote Inward Investment and Business Grow - reported Amber for March and End of Year. Due to the COVID-19 pandemic, Cherwell Business Awards (CBA) shortlisting has been postponed and the final, scheduled for 15 May 2020, has been rescheduled to 20 November 2020. CDC is in close liaison with colleagues at local authorities in Oxfordshire and at OxLEP and Government departments to ensure support to businesses during the COVID-19 pandemic. Cherwell District has 97% superfast broadband coverage of premises (with a download speed greater than 24mbps). CDC continues to work with Oxfordshire County Council towards delivering 100% coverage and raising the standard to 'full fibre' (1gbps) to enable 5G mobile technology through an emerging Digital Partnership.

Develop Our Town Centres and Increase Employment at Strategic Sites - reported Amber for March and End of Year. Continued support provided to Banbury BID (Business Improvement District) in the completion of its Year Two business plan. We are supporting the BID and its members during the COVID-19 pandemic. Following the Bicester Town Centre workshop in June 2019, a task group of volunteers has been working on a plan for the town centre. The planned feedback event scheduled for March 30 has been postponed and will be rescheduled for later this year.



Maintain the 5 Years Land Supply - reported Amber for March and End of Year. The 2019 Annual Monitoring Report (AMR) reports a dip below 5 years (to 4.6 years). However, housing delivery in 2018/19 was high (1489 homes) and the Government has provided the Oxfordshire authorities with a 3 year flexibility while the Oxfordshire Plan is produced. In view of the current national situation with COVID-19, there will be a need to review projections for future housing delivery. Government advice on meeting current national targets may be required in due course. Officers will seek to engage with the development industry to understand the position of homebuilders and to inform economic recovery measures.

Net additional Housing Completions - reported Red for March and End of Year. Due to the COVID-19 emergency no provisional net housing completions for Q4 can be provided yet. Following Government advice, officers are only undertaking site visits where essential to maintain planning services. The completion of 272 net new homes in Q4 would enable the local plan requirement to be met. Officers have commenced desk based monitoring work and will seek to engage with homebuilders to produce a Q4 return as soon as possible. The approach to housing monitoring and site visits will be kept under review having regard to public health advice.

Summary of Performance

3.10 The Council reports on performance against 21 business plan measures monthly and 17 key performance indicators on a quarterly basis. The full details, including commentary against each measure and key performance indicator can be found in Appendix 2.

Business Plan Measures and Key Performance Indicators (38)					
Status	Description	March	%	YTD	%
Green	On target	22	58%	27	71%
Amber	Slightly off target	11	29%	10	26%
Red	Off target	5	13%	1	3%

Risk Update

3.12 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register at the date this report is published is included in this report.

3.13 The heat map below shows the overall position of all risks contained within the Leadership Risk Register.

Risk Scorecard – Residual Risks						
		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic			L09	L19, L20	
	4 - Major			L01, L04, L07, L08, L11, L12 & L18		
	3 - Moderate		L16	L02, L05, & L14	L10 L15	
	2 - Minor			L17		
	1 - Insignificant					

3.14 The table below provides an overview of changes made to the Leadership Risk Register during the past month. Any significant changes since the publication of the report will be reported verbally at the meeting.

Leadership Risk	Score	Direction	Latest Update
L01 Financial Resilience	12 Medium risk	↔	Risk reviewed 16/04 – Risk owner and comments updated.
L02 Statutory functions	9 Low risk	↔	Risk Reviewed 08/04 – Mitigation actions and risk owner updated.

L04 CDC Local Plan	12 Medium risk	↔	Risk Reviewed 06/04 – Comments updated
L05 Business Continuity	9 Low risk	↔	Risk Reviewed 08/04 – Comments updated
L07 Emergency Planning	12 Medium risk	↔	Risk Reviewed 08/04 – Comments updated
L08 Health & Safety	16 High risk	↔	Risk Reviewed 08/04 – Comments updated
L09 Cyber Security	15 Medium risk	↔	Risk Reviewed 07/04 – Controls and mitigation actions updated.
L10 Safeguarding the Vulnerable	12 Medium risk	↑	Risk Reviewed 01/04 – Risk score changed, and commentary updated.
L11 Sustainability of Council owned companies and delivery of planned financial and other objectives.	12 Medium risk	↔	Risk Reviewed 20/04 – Risk owner and commentary updated.
L12 Financial sustainability of third-party suppliers including contractors and other partners	12 Medium risk	↔	Risk Reviewed 27/04 – Comments updated.
L14 Corporate Governance	9 Low risk	↔	Risk Reviewed 20/04 – Potential Impact, Controls and mitigating actions updated.
L15 Oxfordshire Growth Deal	12 Medium risk	↔	Risk Reviewed 06/04 – Comments updated.
L16 Joint Working – New Risk	6 Low risk	↔	Risk Reviewed 11/05 – Risk reviewed.
L17 Separation – New Risk	6 low risk	↔	Risk Reviewed 11/05 – risk reviewed
L18 Workforce Strategy	12 Medium risk	↔	Risk Reviewed 11/05 – No changes.
L19 Covid19 Community and Customers	20 High risk	↔	Risk Reviewed 11/05 – No changes
L20 Covid19 Business Continuity	20 High Risk	↔	Risk Reviewed 11/05 – No changes

During March the leadership risk had one score change, L10 Safeguarding the Vulnerable from 8 to 12. For details please go to Appendix 3 Leadership Risk Register.

3.15 Finance Update (Covid19 and Revenue Outturn)

Covid19 Impact

The estimated financial impact arising from Covid-19 in the first quarter of 2020/21, on the assumption that a lockdown continues to June 2020 is set out below. The financial impact for 2020/21 is reflected in additional costs, loss of income and expected slippage in the delivery of savings. It is expected that there will be a financial impact beyond the initial lockdown period and into 2021/22.

On 19 March 2020, the Secretary of State for Local Government announced funding of £1.6bn for local government. The distribution of this funding was based predominantly on the Adult Social Care relative needs formula, therefore the Council only received £67k. Further grant funding of £8k has also been provided relating to Homelessness.

A second tranche of £1.6bn was announced on 18 April 2020. The allocation for the Council is £1.5m. This tranche of funding has been distributed using a per capita basis, which results in a significantly higher allocation than the first tranche of funding and was paid in mid May 2020.

The Ministry for Housing Communities & Local Government (MHCLG) require regular returns from Councils on their Covid19 financial impacts which, along with feedback from various bodies such as the District Council Network (DCN) and the Society of District Council Treasurers (SDCT), will help inform funding requirements.

As the financial impact beyond an expected lockdown period to June is still an approximation due to the uncertainty of what shape recovery has, this report focuses on the more certain costs and loss of income in the April to June period alone. However, it is recognised that the financial impact beyond June will be significant.

The table below sets out in the format required by MHCLG, the estimated financial impact for the period April to June with details set out in the following paragraphs. Total costs and loss of income for this period alone are £2.2m, compared to grant funding of just under £1.6m. This leaves a shortfall in grant funding of £0.6m for the three-month period to June alone.

In addition to the costs and loss of income, it is likely that the significant disruption to business as usual will have an impact on the ability to fully deliver savings planned during 2020/21. In addition to the impact for April to June, early estimates indicate the financial impact could be as high £4.7m for the financial year to March 2021. This would leave a shortfall in grant funding of £3.1m for the year.

Furthermore, there is expected to be an ongoing impact into 2021/22 due to reduced income from council tax and business rates as well as a potential on-going increase in demand relating to homelessness and the ongoing impact of any savings planned for 2020/21 which are not delivered. Scenarios are being modelled which will be used to shape the early assumptions used for the Medium Term Financial Strategy (MTFS) planning.

Service	April - June £m
Expenditure	
Housing (excluding HRA)	0.177
Cultural and Related	0.288
Environmental & Regulatory Services	0.075
Finance & Corporate	0.074
Other	0.273
Total Expenditure	0.887
Income	
Sales, fees and charges	0.723
Other	0.624
Total Income	1.347
Total Impact	2.234

Housing - Estimated cost covers the cost of temporary accommodation relating to homelessness.

Cultural & Related – Potential costs relating to leisure services from loss of income during period of closure.

Environmental & Regulatory Services – Cost relating to agency staff and overtime

Finance & Corporate – Additional ICT costs to enable home working plus additional agency staffing costs in finance due to extension in final accounts preparation; Members' Priority Fund.

Other Costs – Includes potential costs of dilapidation works across the property estate if they cannot be recovered.

Sales, Fees & Charges – Expected losses of income from for example, commercial tenancies, car parking and waste.

Other Income – Expected losses of income from the Stables, street market closures and land charges.

Regular reports on the impacts of Covid19 and the wider impacts on the finances of the Council will be brought to members as part of the regular monitoring, the first of which is anticipated at the end of the first quarter.

Revenue Outturn Position

The Council is reporting a draft final outturn for 2019/20 of a £1.3m underspend, assuming £0.2m of carry forwards requests are approved as part of this report. This is a small increase of underspend of £98k since the previous report.

In summary the Council saw an overspend of £126k across the directorates, which is a reduction of £548k from the end of February. Some of the key factors for this reduction include a reduction in Planning legal and consultancy costs of £150k, Housing income increasing by £78k and Healthy Place Shaping costs reducing by £160k. The Council continued to benefit from advantageous interest rates earlier in the year which has generated additional income of £1.3m.

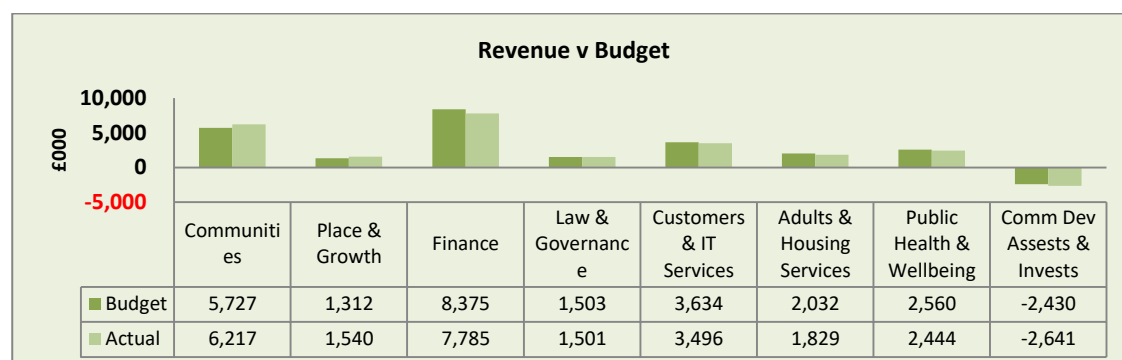
The table below summarises the position across the Council. Due to completion of the statutory accounts process the figures included in this report are potentially subject to change. The capital outturn for 2019/20 will be reported to the Executive at its next meeting.

Revenue Monitoring	Budget £000	Outturn excluding C/F request £000	Carry Forward requests £000s	Outturn including C/F request £000	Current Month Variances £000	Prior Month Variances £000	Movement from last month £000s
Communities	5,727	6,180	37	6,217	490	553	-63
Place and Growth	1,312	1,540	0	1,540	228	387	-159
Finance	3,611	3,689	0	3,689	78	37	41
Law & Governance	1,503	1,446	55	1,501	-2	0	-2
Customers and Organisational Development	3,634	3,421	75	3,496	-138	-35	-103
Adults and Housing Services	2,032	1,829	0	1,829	-203	-130	-73
Public Health and Wellbeing	2,560	2,444	0	2,444	-116	10	-126
Com Dev Assets and Invests	-2,430	-2,691	50	-2,641	-211	-148	-63
Total Directorates	17,949	17,858	217	18,075	126	674	-548
Executive Matters	4,764	3,456	0	3,456	-1,308	-1,847	539
Total Cost of Services	22,713	21,314	217	21,531	-1,182	-1,173	-9
Total Income	-22,711	-22,800	0	-22,800	-89	0	-89
(Surplus)/Deficit	2	-1,486	217	-1,269	-1,271	-1,173	-98

Summary of Carry Forward Requests

Service Area and description	£000s

Law and Governance - to top up the District Election reserve	55
Digital and IT - IT Support for SNC/CDC split	60
Human Resources - Midland HR implementation	15
Property - To fund washroom and Kitchen refurbishment	50
Environmental Services - funding of the Climate Change Consultant	7
Regulatory Services - Primary Authority contractor support services	30
	217



Communities

Communities overspent by **£490k** against a budget of **£5,727k** (8.6%)

Growth & Economy

The underspend is as a result of vacancies within the Economic Growth team offset by under recovery of rental income due to the delay in the opening of the Shared Ownership scheme at Hope Close.

Variation

£24k underspend

Variation last month

£35k overspend

Environmental Services

The overspend in this area is made up of £445k Employee Costs - Agency Staff, Sickness, Overtime & SNC Recharge costs, £39k reduction in credit and material income. £122k Recycling Gate Fees tonnage rate per tonne increase (Dry & Glass), £48k increase in business waste tonnage but offset in part by anticipated income, (£173k) additional income for street scene repairs, S106 transfers & Grants for Country Park, £55k Increase in Management Fees & reduction in Car Park Income, £34k Increase in National Domestic Rates & Business Improvement District charges, £34k increase in contractor costs - Oxfordshire Waste & Recycling Partnership Contribution, Refuse Disposal Charge & Waste Analysis by Oxfordshire County Council, £37k landfill diversion budget issue and £18k other small overspends in supplies and transport costs. ***This position assumes the £7k carry forward request for the Climate Change consultancy to continue in to 20/21 is approved.***

Variation

£659k overspend

Variation last month

£698k overspend

Regulatory Services

The underspend is attributed mainly to salary savings due to changes in structures and vacancies. Plus, higher than anticipated discretionary income has been generated. This outturn is based on the approval to transfer to reserves £30k for contractor support to the Health Protection and Compliance team to provide charged for services whilst also delivering core statutory work

Variation

£145k underspend

Variation Last Month

£180k underspend

Place and Growth

Place and Growth overspent by **£228k** against a budget of **£1,312k** (17.4%)

Planning & Development	The overspend has decreased by £159k from February. The majority of the movement this month is made up of delays of planned Legal and Consultancy fees £76k in Planning Policy and Development Management, £15k additional Grant Income received and £31k salary recharges to OCC not previously forecast. In overall terms the overspend is made up of £214k in Building Control due to agency staff offset by recharges to SNC being -£111k higher than budgeted, £365k in Development Management (and Tech Support) due to planning fees income being lower than budgeted £347k, additional budgeted costs related to the anticipated appeals, offset by savings made in Tech Support and staffing costs of £109k. This is offset in part by savings of -£366k of mostly Consultancy costs in Planning Policy. Going forward, the Director is continuing to explore the full implications of the overall overspend and what action can be taken
Variation £228k overspend	
Variation last month £387k overspend	

Finance

Finance overspent by **£78k** against a budget of **£3,611k** (2.2%)

Finance	The overspend is made up largely by a £121k Overspend of external audit fee, recruitments costs and contractor fees and is offset in part by a (£72k) underspend in Revs & Bens due to Universal Credit introduction.
Variation £78k overspend	
Variation last month £37k overspend	

Law & Governance

Law & Governance underspent by **£2k** against a budget of **£1,503k** (-0.1%)

Law & Governance	<i>This outturn is based on the approval to carry forward £55k to top up the District Election reserve.</i>
Variation £2k underspend	
Variation last month £0k underspend	

Customers and Organisational Development

Customers & Organisational Development underspent by **£138k** against a budget of **£3,634k** (-3.8%)

Customers & Organisational Dev.	The underspend is largely due to salary savings due to vacancies in the Communications team and the fact that a senior member of the team is shared with OCC. There is also an underspend in IT which is mainly because an invoice received in 18/19 was not recharged out to the services until 19/20. The last factor contributing to the underspend is the 16K in Human Resources which is due to a 27K invoice for an annual subscription being accrued into 20/21. The overall underspend in this service is partly offset by the overspend in Customers and Cultural Services due to under recovery of Land Charges income. The budget has been adjusted in 20/21 so it was in line with the expected recovery. <i>This outturn is based on the</i>
Variation £138k underspend	
Variation last month £35k underspend	

Adults and Housing Services

Adults and Housing Services underspent by **£203k** against a budget of **£2,032k** (-10.0%)

Housing & Social Care	The underspend is a combination of salary savings due to vacancies and savings against the Cherwell Bond Scheme due to a low level of claims made. Also contributing to the overall underspend is higher than anticipated fee income as a result of administering Disabled Facilities grants and Discretionary grants. The variance from the previous reported outturn is a result of income received by the Home Office in relation to the Vulnerable Persons Resettlement scheme that should have been recognised in 2017-18. This savings will be returned to the General Fund to offset the forward funding the council made in 2017-18.
Variation £203k underspend	
Variation last month £130k underspend	

Public Health & Wellbeing

Public Health & Wellbeing underspent by **£116k** against a budget of **£2,560k** (-4.5%)

Wellbeing	£134k overspend - The overspend can be predominantly attributed to the compensatory payments totalling £114k paid to Parkwood Leisure as a result of loss of income due to the closure of the Spiceball pedestrian bridge during the Autumn whilst building works take place next to the leisure centre at Castle Quay Waterfront.
Variation £134k overspend	
Variation last month £10k overspend	
Healthy Place Shaping	It was agreed during the 20/21 budget setting process that £160k of forecast underspend would be returned to General Fund at year end. Also agreed at budget setting was the carry forward of £90k of NHS England money to support the programme during the year. This £90k was therefore built into the 20/21 budget in advance.
Variation £-250k underspend	
Variation last month £-0k underspend	

Comm Dev Assets and Invests

Comm Dev Assets and Invests underspent by **£211k** against a budget of **£2,430k** (-8.7%)

Property	The underspend arises from a variety of functions such as security, repairs and maintenance. <i>This outturn is based on the approval to carry forward 50k to fund washroom and Kitchen refurbishment.</i>
Variation £218k underspend	
Variation last month £153k underspend	

Executive Matters

Executive matters have underspent by **£1,308k** against a budget of **£4,764k** (-27.5%)

Interest Costs	An underspend has been achieved through a lower than expected borrowing balance brought forward from 2018/19 leading to lower
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Variation £692k underspend	interest paid. In addition, slippage on capital programme resulted in less borrowing required in year, and for the borrowing undertaken, lower rates were achieved than budgeted.
Variation last month £687k underspend	
Interest Receivable	Additional interest receivable during the year of £140k relates to a new loan to Crown House.
Variation £1,075k underspend	Higher than expected balances brought forward plus a small increase in interest rate give rise to additional interest receivable from Graven Hill of £715k. In addition, there is an extra £220k interest due to Bond Fee income
Variation last month £969k underspend	
Bad Debt Provision	The Council is prudently increasing its provision for doubtful debts as it seeks to recover a number of older outstanding debts during 2019/20 by a further £451k. Post the year end, the impact of Covid19 could also result in further bad and doubtful debts, therefore an increased provision seems prudent at this time
Variation £451k overspend	
Variation last month £0k	

4.0 Conclusion and Reasons for Recommendations

4.1 It is recommended that the contents of this report are noted.

5.0 Consultation

5.1 This report sets out performance, risk and budgetary information from the previous month and as such no formal consultation on the content or recommendations is required.

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: This report illustrates the Council's performance against the 2019-20 business plan. As this is a monitoring report, no further options have been considered. However, members may wish to request that officers provide additional information.

7.0 Implications

Financial and Resource Implications

7.1 Financial implications are detailed within section 3.15 to 3.18 of this report.

Comments checked by:

Lorna Baxter, Executive Director Finance
Lorna.Baxter@cherwell-dc.gov.uk

Legal Implications

7.2 There are no legal implications from this report.

Comments checked by:

Nick Graham, Monitoring Officer: Law and Governance
Nick.Graham@cherwell-dc.gov.uk

Please note that Nick Graham left the organisation on June 2020, before his departure Mr Graham signed off this report. The new Head of Legal services is Sukdave Ghuman.

Risk management

7.3 This report contains a full update with regards to the Council's risk position at the end of the previous month. A risk management strategy is in place and the risk register has been fully reviewed.

Comments checked by:

Celia Prado-Teeling, Performance Team Leader
01295 221556
celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillors –

Councillor Richard Mould – Lead member for Performance Management

Councillor Tony Ilott – Lead member for Finance and Governance

Document Information

Appendix No	Title
Appendix 1	Leadership Risk Register

Background Papers	
None	
Report Author	Louise Tustian – Head of Insight and Corporate Programmes
Contact Information	Tel: 01295 221786 Louise.tustian@cherwell-dc.gov.uk

Appendix 1 – Leadership Risk Register as at 11/05/2020

Level of risk	How the risk should be managed
High Risk (16-25)	Requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	Contingency Plans - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	Good Housekeeping - may require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.

Risk Scorecard – Residual Risks						
		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Payhub27	5 - Catastrophic			L09	L19, L20	
	4 - Major			L01, L04, L07, L08, L11, L12 & L18		
	3 - Moderate		L16	L02, L05, & L14	L10 L15	
	2 - Minor			L17		
	1 - Insignificant					

Risk Definition	
Leadership	Strategic risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its corporate priorities
Operational	Risks to systems or processes that underpin the organisation’s governance, operation and ability to deliver services

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20						Fully effective Partially effective Not effective											
L01 -	Financial resilience – Failure to react to external financial impacts, new policy and increased service demand. Poor investment and asset management decisions.	Reduced medium and long term financial viability	4	4	16	Medium Term Revenue Plan reported regularly to members.	Fully	Councillor Tony Illot	Lorna Baxter	Dominic Oakeshott	4	3	12	↔	Key staff recruited to and review of workload and capacity across the team. Additional resilience and resource for financial accounting and reporting engaged through external partners and agencies. Assessment of national picture undertaken and being reported through senior managers and members highlighting the medium term challenges.	Maintaining focus in this area with ongoing review, staff and member training and awareness raising.	Risk reviewed - 16/04/2020 - Risk Owner and Comments updated.
	Reduction in services to customers	Balanced medium term and dynamic ability to prioritise resources				Fully	Investment strategy approach agreed and operating and all potential investments now taken through the working groups prior to formal sign off. Robust review and challenge of our investment options to be regularly undertaken through our usual monitoring processes.								Investment options considered as and when they arise, MTFS and budget setting being developed to enhance the scrutiny and quality of investments.		
	Increased volatility and inability to manage and respond to changes in funding levels	Highly professional, competent, qualified staff				Partially	Timeliness and quality of budget monitoring particularly property income and capital improving. Financial Systems replacement project underway. LEAN review of budget monitoring undertaken with significant engagement from within the wider business. Asset Management Strategy being reviewed and refreshed.								Financial System Solution Project continuing to consider future finance system options, incorporating budget management via Lean, extension of Civica and new procurement.		
	Reduced financial returns (or losses) on investments/assets	Good networks established locally, regionally and nationally				Fully	Review of BUILD! to ensure procurement and capital monitoring arrangements are in place and development of forward programme - work still underway.								Review underway		
	Inability to deliver financial efficiencies	National guidance interpreting legislation available and used regularly				Fully	Finance support and engagement with programme management processes continuing.								Review in hand.		
	Inability to deliver commercial objectives (increased income)	Members aware and are briefed regularly				Fully	Further integration and development of Performance, Finance and Risk reporting								Finance business partners involved with reflection locally on outcomes.		
	Poor customer service and satisfaction	Participate in Oxfordshire Treasurers' Association's work streams				Fully	Regular involvement and engagement with senior management across County as well as involvement in Regional and National finance forums.								Integrated reporting has been embedded		
	Increased complexity in governance arrangements	Review of best practice guidance from bodies such as CIPFA, LGA and NAO				Fully	Regular member meetings, training and support in place and regularly reviewed. Briefings provided on key topics to members with particular focus on key skills for specific committees such as audit committee.								Engagement with a number of national and regional networks to ensure we are as up-to-date as we can be in relation to potential funding changes from 2020/21 and impact on our MTFS.		
	Lack of officer capacity to meet service demand	Treasury management and capital strategies in place				Fully	New approach to budget setting introduced linked to service planning. Additional challenge added into the process to ensure robustness of estimates								Regular training will be undertaken.		
	Lack of financial awareness and understanding throughout the council	Investment strategies in place				Fully	Regular utilisation of advisors as appropriate.								Budget setting for 2020/21 underway.		
		Regular financial and performance monitoring in place				Fully	Internal Audits being undertaken for core financial activity and capital as well as service activity								Review of borrowing approach being considered alongside our financial advisors		
		Independent third party advisers in place				Fully	Assessment of national picture via Pixel and LG Futures has identified that the funding available in later years is likely to be significantly reduced, adding longer term resilience challenges.								Regular reporting of progress on internal audits considered by the committee		
		Regular bulletins and advice received from advisers				Fully									Medium/long term position assessed as significantly worse, increasing risk alongside the capacity needed to work on activity to reduce spending levels. Budget setting for 2021/22 will begin at the Budget Planning Committee in March 2020 in order to ensure full and thorough consideration of the budget in conjunction with members to alleviate the challenges over the medium term. The impact of the UK national Budget on 11 March 2020 and the medium term impact of the reduction in the Bank Base rate by 0.5% on 11 March 2020 will be assessed.		
		Property portfolio income monitored through financial management arrangements on a regular basis				Partially									The impact of Covid19 has changed the financial outlook for the Council, although there are too many variables to fully determine both the medium and long term impacts. The Council is recording the additional costs and losses of income as a result of the many changes introduced during the last weeks of the financial year and is providing regular reports to Government showing the extent of the financial impact of Covid19 on the Council.		
		Asset Management Strategy in place and embedded.	Partially														
		Transformation Programme in place to deliver efficiencies and increased income in the future	Fully														

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L02 -	Statutory functions – Failure to meet statutory obligations and policy and legislative changes are not anticipated or planned for.	Legal challenge Loss of opportunity to influence national policy / legislation Financial penalties Reduced service to customers	3	4	12	Embedded system of legislation and policy tracking in place, with clear accountabilities, reviewed regularly by Directors Clear accountability for responding to consultations with defined process to ensure Member engagement National guidance interpreting legislation available and used regularly Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit Internal Audit Plan risk based to provide necessary assurances Strong networks established locally, regionally and nationally to ensure influence on policy issues Senior Members aware and briefed regularly in 1:1s by Directors	Partially Fully Fully Partially Partially Partially Fully Partially	Councillor Barry Wood	Steve Jordan	Nick Graham	3	3	9	↔	Establish corporate repository and accountability for policy/legislative changes Review Directorate/Service risk registers Ensure Committee forward plans are reviewed regularly by senior officers Ensure Internal Audit plan focusses on key leadership risks Develop stakeholder map, with Director responsibility allocated for managing key relationships Standardise agendas for Director / PFH 1:1s New legislation and Government guidance in response to COVID19 will assist service adjustment Allocate specific resource to support new projects/policies or statutory requirements e.g. GDPR	Service plans for 2019-20 received and currently being reviewed. Performance framework for 2020-21 to be agreed. Review of Leadership Risk Register and Risk Strategy for 2020-21 in progress.	Risk reviewed 08/04/20 - Risk reviewed, mitigation actions updated, Risk owner updated
L04 -	CDC Local Plan - Failure to ensure sound, up to date local plan remains in place for Cherwell resulting in poor planning decisions such as development in inappropriate locations, inability to demonstrate an adequate supply of land for housing and planning by appeal	Poor planning decisions leading to inappropriate growth in inappropriate place. Negative (or failure to optimise) economic, social, community and environmental gain Negative impact on the council's ability to deliver its strategic objectives, including its commitments within the Oxfordshire Housing & Growth Deal Increased costs in planning appeals Reputational damage with investor community of Cherwell as a good place to do business created by uncertainty/ lack of policy clarity	4	4	16	Local Development Scheme (LDS) is actively managed and reviewed, built into Service Plan, and integral to staff appraisals of all those significantly involved in Plan preparation and review Team capacity and capability kept under continual review with gaps and pressures identified and managed at the earliest opportunity. Some additional resource budgeted for 20/21. Delegations to Chief Exec agreed to ensure timely decisions On-going review of planning appeal decisions to assess robustness and relevance of Local Plan policies	Partially Partially Partially Fully Partially	Councillor Colin Clarke	Paul Feehily	David Peckford	3	4	12	↔	Regular review meetings on progress and critical path review Regular Corporate Director and Lead Member briefings LDS updated as required with programme management approach adopted to ensure progress against plan LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals Authority Monitoring Reports continue to be prepared on a regular annual basis.	The Local Development Scheme was updated in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Level (CIL). COVID19 may affect the progress made by the central plan team on the Oxon Plan. However, the residual risk score of '12' has not been changed as the risk of consequential delay for the district Local Plan has already been considered. Significant delay may require re-consideration of the risk. The 2019 Annual Monitoring Report was approved by the Executive on 7/1/2020	Risk reviewed and updated 06/04/2020. Comments added

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L05 -	Business Continuity - Failure to ensure that critical services can be maintained in the event of a short or long term incident affecting the Councils' operations	Inability to deliver critical services to customers/residents Financial loss Loss of important data Inability to recover sufficiently to restore non-critical services before they become critical Loss of reputation	4	4	16	Business continuity strategy in place Services prioritised and recovery plans reflect the requirements of critical services ICT disaster recovery arrangements in place Incident management team identified in Business Continuity Strategy All services undertake annual business impact assessments and update plans Business Continuity Plans tested	Fully Fully Fully Partially Fully Partially	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	3	9	↔	Business Continuity Statement of Intent and Framework agreed by CEDR Cross-council BC Steering Group meets regularly to identify BC improvements needed ICT transition to data centre and cloud services have reduced likelihood of ICT loss and data loss Corporate ownership and governance sits at senior officer level BC Impact assessments and BCPs in place for all teams and peer reviewed by OCC's Emergency Planning team Progress report was provided to CEDR in March 2019 BC assurance framework under development	The council's extended leadership team are providing business continuity status reports for their critical services on a twice weekly during the current Covid-19 19 pandemic. Remote working enables most teams to work effectively from home and sustain services whilst also avoid unnecessary social contacts. Command structures are in place for managing the council's response to the pandemic in line with the BC framework. Business continuity impacts are being identified, managed locally and escalated if necessary to the joint OCC/ CDC silver group and supporting cells.	Risk Reviewed 08/04/2020 - Comments updated
L07 -	Emergency Planning (EP) Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency fulfilling its duty as a category one responder	Inability of council to respond effectively to an emergency Unnecessary hardship to residents and/or communities Risk to human welfare and the environment Legal challenge Potential financial loss through compensation claims Ineffective Cat 1 partnership relationships	4	4	16	Key contact lists updated monthly. Emergency Planning Lead Officer defined with responsibility to review, test and exercise plan and to establish, monitor and ensure all elements are covered Added resilience from cover between shared Environmental Health and Community Safety Teams as officers with appropriate skill Senior management attend Civil Emergency training Multi agency emergency exercises conducted to ensure readiness On-call rota established for Duty Emergency Response Co- ordinators Active participation in Local Resilience Forum (LRF) activities	Fully Partially Fully Fully Fully Fully	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	4	12	↔	Emergency plan contacts list being updated monthly and reissued to all duty managers. OCC Emergency Planning providing expert advice and support under a partnership arrangement. Accountability for both OCC and CDC's arrangements now sit with the Chief Fire Officer who reviews the arrangements with the Assistant Director. Supporting officers for incident response identified in the emergency plan and wallet guide Drop in training session now taking place monthly (from June) covering a range of topics. Senior managers have attended multi-agency exercises and duty manager training with OCC senior managers. On-call rota being maintained Authority represented at the Local Resilience Forum	Emergency plans enacted and command structures established with partner organisations to support the response to the Covid-19 19 pandemic. The council is also maintaining its duty director rota for any other emergency incidents that might arise.	Risk Reviewed 08/04/2020 - Comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L08 -	Health and safety - Failure to comply with health and safety legislation, corporate H&S policies and corporate H&S landlord responsibilities	Fatality, serious injury & ill health to employees or members of the public	5	4	20	New Health & Safety Corporate HS&W Policy and Corporate Arrangements & guidance in place as part of the newly adopted HSE's recommended called 'HSG65' Management System HSG 65. Organisations have a legal duty to put in place suitable arrangements to manage health & safety.	Partially	Councillor Lynn Pratt	Yvonne Rees	Ceri Harris	3	4	12	A new Corporate Health, Safety and Wellbeing Policy was ratified BPM meeting on 17th June. The Corporate arrangements are in the process of being updated. At the time of updating this document 33 out of the 44 Corporate Arrangements have been reviewed and updated. The completed Corporate Arrangements have now been uploaded onto the intranet.	The Executive Leadership Team (ELT) receives a quarterly report from the Corporate H&S Manager.	Risk reviewed 08/04/2020 - Commentary updated	
Criminal prosecution for failings	Clearly identified accountability and responsibilities for Health and Safety established at all levels throughout the organisation	Fully				Following the ratification of the new Corporate Health, Safety and Wellbeing Policy all Assistant Directors have been asked to complete a Departmental Risk Assessment Checklist. The Checklist identified the areas of risk within the department and whether there is a risk assessment in place to cover the risks.	Corporate Health and Safety Team to ensure all departments to responds to the Departmental Risk Assessment Checklist and to follow up with departments on areas of concern. Responses are being collated on a central spreadsheet which will become the database of all risk assessments across the Council.										
Financial loss due to compensation claims	Corporate H&S Manager & H&S Officer in post to formalise the H&S Management System & provide competent H&S advice & assistance to managers & employees.	Fully				As Health and Safety Officers are in place no further action is required and risk mitigated.	These two posts are established posts and budgeted accordingly to secure future funding for continuity.										
Enforcement action – cost of regulator (HSE) time	Proactive monitoring of Health & Safety performance management internally	Fully				A 2-year internal Health and Safety Audit programme is in place covering the period until May 2021. The health and safety internal audit programme covers all elements of our overall H&S management system to ensure compliance with legislative standards. This is temporarily on hold due to the Coronavirus Lockdown	The H&S team are conducting health and safety inspections internally across all services and teams. To date a total of 17 audits have been carried out across the Council. The audit reports have been provided to the relevant service managers, including recommendations, advise and timescales for remediation.										
Increased agency costs	Effective induction and training regime in place for all staff	Partially				Management of H&S training will now be included within the new eLearning programme which is in the process of being procured. A central list of risk assessments is to be created to enable more proactive monitoring of risk assessment across the council. Risk Assessment Workshop training is being developed. Robust training already in place in Environmental Services.	Final sign off from the HR/Training Manager for training procurement and implementation due. Final tweaks being made prior to launch of eLearning package										
Reduction in capacity impacts service delivery	Positive Health & Safety risk aware culture	Partially				Good awareness in higher risk areas of the business, e.g. Environmental Services. However other areas need improved awareness of risk assessment process. This needs to be achieved by a review of training needs across CDC and the mandatory training of managers on risk assessment. Property team have undertaken a review of CDC owned operational properties to ensure health and safety compliance is fully maintained in line with the legislative compliance requirements.	A review has been undertaken of all CDC owned properties to ensure that fire risk assessments, water hygiene surveys and asbestos surveys have been completed where required. A compliance review of tenanted properties leased by CDC is also under way to ensure that the tenants are managing the property in accordance with legislative requirements.										
Reputational Impact	Corporate Health & Safety meeting structure in place for co-ordination and consultation	Partially				Currently the Council has no formal committee structure in place for the consultation of health safety with staff.	A proposal for the formation of a Health and Safety Committee to report to the ELT will be submitted to ELT in April 2020. The purposed of this committee, if ratified, will monitor the activities of the Corporate Health and Safety Team and to act as a scrutiny committee for the Corporate Arrangements.										
	Corporate body & Member overview of Health & Safety performance	Fully				Quarterly reporting to ELT and to the Portfolio Holder by the Corporate Health and Safety Manager	Reporting dates have been agreed and adhered to.										
	Assurance that third party organisations subscribe to and follow Council Health & Safety guidelines and are performance managed where required	Fully	Robust procurement process that requires health and safety documentation and commitment to be proven prior to engagement of contractors.	Corporate Health and Safety has scheduled to undertake a review of Procurement process to ensure compliance.													

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L09 -	Cyber Security - If there is insufficient security with regards to the data held and IT systems used by the councils and insufficient protection against malicious attacks on council's systems then there is a risk of: a data breach, a loss of service, cyber- ransom.	<p>Service disruption</p> <p>Financial loss / fine</p> <p>Prosecution – penalties imposed</p> <p>Individuals could be placed at risk of harm</p> <p>Reduced capability to deliver customer facing services</p> <p>Unlawful disclosure of sensitive information</p> <p>Inability to share services or work with partners</p> <p>Loss of reputation</p>	4	5	20	<p>File and Data encryption on computer devices</p> <p>Managing access permissions and privileged users through AD and individual applications</p> <p>Consistent approach to information and data management and security across the councils</p> <p>Effective information management and security training and awareness programme for staff</p> <p>Password security controls in place</p> <p>Robust information and data related incident management procedures in place</p> <p>Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services</p> <p>Appropriate plans in place to ensure ongoing PSN compliance</p> <p>Adequate preventative measures in place to mitigate insider threat, including physical and system security</p> <p>Insider threat mitigated through recruitment and line management processes</p> <p>Cookie pop-ups on the website</p> <p>Increased threat to security during Covid-19 period in part due to most staff working from home.</p>	<p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Partially</p> <p>Fully</p>	Councillor Ian Corkin	Claire Taylor	David Spilsbury	3	5	15	↔	<p>The cyber-essentials plus certification has now been passed.</p> <p>Accounts, Audit & Risk Committee Members updated and given a presentation on Cyber Security November 2019</p> <p>The Regional Police Cyber Security Advisor gave the IT management team two training sessions (full cyber awareness Oct18 and table top DR exercise Nov18) followed by a series of all-Council staff awareness sessions in January 2019. Mop-up on e-learning options now being explored by IT and HR.</p> <p>Implemented an intrusion prevention and detection system.</p> <p>Agreed Terms of Reference and re-implementation of the security forum as the Information Governance Group, with meetings to be held on a minimum quarterly basis chaired by the Information Governance Manager. Information Governance support is now provided to Cherwell as part of a joint working relationship with Oxfordshire County Council. An action for the next month will be to ensure there are effective partnership working arrangements in place under this new service.</p> <p>Cyber Awareness e-learning available and will be part of new starters induction training.</p> <p>Cyber Security issues regularly highlighted to all staff.</p> <p>External Health Check undertaken January 2020, no high risk security issues highlighted.</p> <p>Implementation using Cookiebot in progress with 3rd party website provider.</p> <p>Additional IT security advice provided for all staff during the Covid-19 working at home period including online coronavirus related scams</p>	<p>Cyber security incidents are inevitable. The only way to manage this risk is to have effective controls and mitigations in place including audit and review.</p>	Risk Reviewed 07/04/20 - Controls and mitigation actions updated.
L10 -	Safeguarding the vulnerable (adults and children) - Failure to follow our policies and procedures in relation to safeguarding vulnerable adults and children or raising concerns about their welfare	<p>Increased harm and distress caused to vulnerable individuals and their families</p> <p>Council could face criminal prosecution</p> <p>Criminal investigations potentially compromised</p> <p>Potential financial liability if council deemed to be negligent</p>	4	4	16	<p>Safeguarding lead in place and clear lines of responsibility established</p> <p>Safeguarding Policy and procedures in place</p> <p>Information on the intranet on how to escalate a concern</p> <p>Mandatory training and awareness raising sessions are now in place for all staff.</p> <p>Safer recruitment practices and DBS checks for staff with direct contact</p> <p>Action plan developed by CSE Prevention group as part of the Community Safety Partnership</p> <p>Data sharing agreement with other partners</p> <p>Attendance at Children and Young People Partnership Board (CYPPB)</p> <p>Annual Section 11 return compiled and submitted as required by legislation.</p> <p>Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group</p> <p>Engagement at an operational and tactical level with relevant external agencies and networks</p>	<p>Partially</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Partially</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p>	Councillor Barry Wood	Ansaf Azhar	Nicola Riley	3	4	12	↑	<p>Ongoing internal awareness campaigns</p> <p>Ongoing external awareness campaigns</p> <p>Annual refresher and new training programmes including training for new members</p> <p>Continue to attend groups focused on tackling child exploitation</p>	<p>The new HR payroll system (was expected in April 2020 postponed) will hold training records. The new safeguarding officer will ensure there is appropriate take-up of training across staff and members. Safeguarding Policy annual review in place. Close monitoring of Training needs/changes to roles and need for enhanced safeguarding training requirements. During C-19 staff working from home Internet safety brief on keeping children safe at home via LOOP. Joint working with safeguarding officers from local District councils New online training supplier Incorporating safeguarding as part of the 9 compulsory training sessions..</p>	Risk Reviewed 01/04/2020 - Risk score changed and commentary updated.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L11 -	Sustainability of Council owned companies and delivery of planned financial and other objectives - failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives	Unclear governance leading to lack of clarity and oversight in terms of financial and business outcomes Non achievement of business and finance outcomes directly or indirectly impacting on other council services Lack of understanding at officer and member level about the different roles of responsibilities required when managing council owned companies	3	4	12	Annual business planning in place for all companies to include understanding of the link between our objectives being delivered and financial impact for the council Financial planning for the companies undertaken that will then be included within our own Medium term financial plan Ensure strong corporate governance mechanisms are in place Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance Training in place for those undertaking roles relating to the companies	Fully Fully Partially Fully Partially	Councillor Tony Illot	Steve Jorden	Jonathan MacWilliam	3	4	12	↔	Changes in the shareholder support side line management been put in place. Additional oversight and capacity from senior managers including performance dashboards at CEDR Resilience and support being developed across business to support and enhance knowledge around council companies Skills and experience being enhanced to deliver and support development, challenge and oversight. Work with one company to ensure long term support arrangements are put in place.	COVID-19 impact being felt by all three companies. CSN under pressure processing changes to NDR etc. as part of government relief package for businesses Gravenhill site closed in line with government restrictions. Impact on sales and business plan being monitored through regular discussions Crown House has been completed but no residents have moved in in line with All three companies being impacted by situation and close review of ongoing business plans needed as government restrictions are reviewed.	Risk reviewed - 20/04/2020 - Risk Owner and commentary
L12 -	Financial sustainability of third party suppliers including contractors and other partners - the failure of a key partner of supplier impacting on the business of the council	The financial failure of a third party supplier or partner results in the inability or reduced ability to deliver a service to customers. Failure to ensure the necessary governance of third party relationships (council businesses, partners, suppliers) are in place to have sufficient oversight of our suppliers	3	4	12	Ensure contract management in place review and anticipate problems within key service suppliers and partners Business continuity planning arrangements in place in regards to key suppliers Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures	Partially Partially Partially	Councillor Tony Illot	Lorna Baxter	Wayne Welsby	3	4	12	↔	Meetings take place when required with suppliers to review higher risk areas. Some review of appropriate information in regards to key supplier performance through trade press, information from networks in place.	Council departments monitor suppliers financial stability as part of their contract management responsibilities. In addition, through collaboration with Oxfordshire CC, a joint Provision Hub will be established in FY20/21 that will put in place greater commercial skills and controls across the two authorities. This will result in improved monitoring and management of commercial contract risk across the council's supply chain. In addition, a Provider Cell has been established to provide oversight of procurement and contract matters in response to Covid19. To support this, a complete new data set of CDC spend (FY2019/20 Qtr. 1, 2 & 3) has been produced and placed in the Provider Cell files in MS Teams which can be accessed by CDC members of the Provider Cell. This spreadsheet also includes a financial credit risk score of all suppliers with a spend above £40k. Contracts Managers are expected to put in place appropriate mitigation plans to manage any identified risks identified. In addition, Castle Quay 1 - Due diligence and credit reports carried out on a monthly basis for all suppliers and contractors for any advance warnings being flagged up. Castle Quay 2- Due diligence and credit report carried out on McLaren on a bi-monthly basis for any advance warnings being flagged up on updated credit reports.	Risk reviewed 27/04/2020 - Comments updated
L14 -	Corporate Governance - Failure of corporate governance leads to negative impact on service delivery or the implementation of major projects providing value to customers.	Threat to service delivery and performance if good management practices and controls are not adhered to. Risk of ultra vires activity or lack of legal compliance Risk of fraud or corruption Risk to financial sustainability if lack of governance results in poor investment decisions or budgetary control. Failure of corporate governance in terms of major projects, budgets or council owned companies impacts upon financial sustainability of the councils. Inability to support Council's democratic functions / obligations (e.g. remote public meetings, remote voting). Elements of the COVID-19 response may be compromised, delayed or not taken forwards.	4	4	16	Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc. Clear accountability and resource for corporate governance (including the shareholder role). Integrated budget, performance and risk reporting framework. Corporate programme office and project management framework. Includes project and programme governance. Internal audit programme aligned to leadership risk register. Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc. HR policy framework. Annual governance statements Business Continuity Plans are in place which ensure that appropriate structures and leadership are put in place at the outset of the CV-19 response. Control measures implemented throughout 2019/20 and updates on key issues reported (e.g. Property/Security) reported to Audit & Governance Committee as requested by Members.	Partially Partially Partially Partially Partially Partially	Councillor Barry Wood	Yvonne Rees	Nick Graham	3	3	9	↔	Standing item at senior officer meetings – regular review of risk and control measures Review of constitution to take place 2018/19 Implementation of corporate programme office – May 2018 Full review of HR policy to be undertaken during 2018/19 Monitoring Officer to attend management team meetings Annual Governance Statement process under review (reviewing previous actions and identifying new) and draft Corporate Lead Statements which identify potential actions for 2020/21 are being produced for review by the Corporate Governance Assurance Group - on schedule.	S113 Agreement terminates on 16 January 2019. Collaboration Agreement being developed. Executive and Cabinet will consider its adoption on 7 and 14 January 2019 respectively. Service schedules are being developed for all services that require ongoing joint working - and these are programmed to be in place by 16 January 2019.	Risk reviewed 20/04/2020 - Potential Impact, Controls and mitigating actions updated.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L15 -	Oxfordshire Growth Deal (contract with HMG) As a result of a lack of experience of this scale and nature of partnership delivery there is a risk that inadequate levels of control will be applied by the Partnership to Oxfordshire Housing and Growth Deal governance, resourcing and delivery and that CDC (and its partners) will fail to meet its publicly stated Contractual commitments to its Partners and Government over the 5-year term.	Failure to meet its obligations as a partner within the Growth Deal could see Cherwell as a factor in Government holding back some or all of its funding and/or cease to extend the arrangement beyond 2023. Infrastructure milestone delivery late (for infrastructure linked to accelerated housing) Accelerated housing numbers delivered to plan late Cost of infrastructure to accelerate circa 6500 homes within 5-year term significantly beyond 2018 budget cost estimate DC GVA: no defined metrics in HGDDP but linked to homes accelerated/infrastructure/affordable homes delivered/JSSP progress and delivery [JSSP] Delete [Affordable Houses] Delete [Productivity] Delete	5	5	25	Appointment of an interim advisor to guide and support delivery of the GD programme and risk management controls Recognition of issues in CDC GD arrangements and delivery of a 6-week review to identify and propose an action plan to manage and bring the issues within control (see 6-week plan) Establish CDC organisational fit of GDC GD as a programme capability reporting to CEDR through the Place Board Secured approval for CDC GD next stage plan at CEDR 17/12/18 which targets setting up CDC GD programme board, work stream capability and leadership supported by CDC Transformation PMO by end March 19 (see Board paper and Next stage Plan Pronosal) Built on CDC PMO RAID principles and developed initial RAID logs for each work stream (capture risks, issues, dependencies and assumptions) to help define "gives and gets" as a basis for holding all to account for defined and transparent baseline delivery Develop Year 3 Plans of Work to detail the expected delivery by CDC for Year 3 of the Growth Deal Programme; building on the experiences and knowledge gained during Year 2.	Fully Partially Fully Fully Partially	Councillor Barry Wood	Robert Jolley	Jonathan MacWilliam	4	3	12	↔	A CDC GD programme and programme board capability Work stream plans of work (work stream brief, schedule, RAID log) Appropriate engagement with members in support of their advisory/scrutiny at GD Board level Governance and performance management Improved collaboration working with partners to hold them to account for their part of delivery Securing approval of a resourced GD Y3 plan to be delivered in a collaborative partnership environment	With the wide ranging restrictions in place Growth Deal is impacted in multiple ways. With the curtailment of construction the delivery of accelerated housing and affordable units is severely impacted. Evidence gathering for the Oxfordshire Plan is compromised and, with the impact on the economy, work on the Cherwell Industrial Strategy has been paused to create capacity to support local businesses. A request has been submitted to central government to review the overall programme time scale. Clearly there will be an impact if key personnel are affected by illness due to COVID-19 or other reasons.	Risk reviewed 06/04/2020 - Narrative updated to reflect the COVID-19 impact on programme.
L16 -	Joint Working That the challenges and risks associated with joint working outweigh the benefits and impacts on the provision of services to residents and communities.	Opportunities for joint working take longer to develop than planned delaying potential service improvements for residents and communities. Resources are allocated to the development of proposals, reducing the capacity of the Council to deliver on its priorities and plans, impacting on quality of services delivered to residents and communities. Uncertainty around joint working could lead to reduced staff morale and potentially increase staff turnover. Benefits to be realised from joint working business cases do not materialise or take longer to deliver than planned.	3	3	9	S113 agreement in place with Oxfordshire County Council Partnership Working Group established with OCC to oversee the development of joint working proposals. Robust programme and project management methodologies in place.	Fully Fully Fully	Councillor Ian Corkin	Yvonne Rees	Claire Taylor	2	3	6	↔	Regular reporting on joint working proposals to the senior management team.	Joint senior appointments in the customers and organisational development directorate have been completed. The business case for a joint strategy and communications service is in its implementation phase. The partnership working group will review a schedule of projects for the next phase of development at their next meeting. The Audit plan for 2020/21 will ensure joint working arrangements are included.	Risk reviewed - 11/05/20 - no changes.
L17 -	Separation of joint working The separation of joint working arrangements with South Northamptonshire Council impacts on the provision of services to residents and communities.	Separation of joint working arrangements result in reduced capacity and resilience to deliver services. Services being delivered to SNC are impacted by re-organisation in Northamptonshire, impacting on the quality of services delivered to residents and communities	3	3	9	On-going service delivery arrangements to SNC set out clearly and underpinned by the Collaboration Agreement with protocols in place for dealing with any emerging issues. Robust programme and project management frameworks in place.	Fully Fully	Councillor Ian Corkin	Yvonne Rees	Claire Taylor	3	2	6	↔	Regular reporting on joint working proposals to the senior management team.	All services apart from Customer Services have now separated or been moved into a service delivery arrangement. Customer service is on track for an April separation after council tax billing has been completed, This will ensure customer service capacity is not impacted during the busy period. This work is on track. Work has begun to explore the impact of local government reorganisation on the jointly owned arm's length company that delivers revenues and benefits services. This will require additional resource and oversight if a decision to separate is taken.	Risk reviewed - 11/05/20 - No changes.
L18 -	Workforce Strategy The lack of effective workforce strategies could impact on our ability to deliver Council priorities and services.	Limit our ability to recruit, retain and develop staff Impact on our ability to deliver high quality services Overreliance on temporary staff Additional training and development costs	3	4	12	Analysis of workforce data and on-going monitoring of issues Key staff in post to address risks (e.g. strategic HR business partners) Weekly Vacancy Management process in place Ongoing service redesign will set out long term service requirements .	Partially effective Fully Fully Partially effective	Councillor Ian Corkin	Claire Taylor	Karen Edwards	3	3	9	↔	Development of relevant workforce plans . Development of new L&D strategy, including apprenticeships. Development of specific recruitment and retention strategies. New IT system is being implemented to improve our workforce data.	Training on workforce planning containing as part of recovery phase.	Risk reviewed 11/05/2020 - no changes.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2019/20																	
L19 -	Covid-19 Community and Customers Significant spread of the Covid-19 virus results in potential impacts in terms of customers and communities. Including community resilience, ability to access services, consequences of prolonged social distancing or isolation, economic impacts to business, including but not limited to the visitor economy.	Possible reductions in frontline service delivery, events, meetings and customer contact. Economic hardship impacting local business and potentially the local workforce. Impact on vulnerable residents who may find it harder to access services. Increased demand on both frontline and enabling services. Prolonged risk of social isolation and the mental and physical consequence thereof.	5	4	20	Business Continuity Plans have been reviewed and tested to ensure the ongoing delivery of priority services Remote working in place, to facilitate self isolation and limit impact on service delivery. Communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response. Regular updates from Director of Public Health, shared internally and externally. Partnership communications. Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols). Mutual aid where appropriate. Tactical response to community resilience. Engagement with suppliers to manage impacts across the supply chain.	Fully Partially Fully Partially Fully Fully Partially	Councillor Barry Wood	Yvonne Rees	Simon Furlong	5	4	20	↔	Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements.	The nature of the risk is such that national public health guidelines will determine the councils' response. The councils will enact any support schemes as set out by national government as they emerge.	Risk added 11/05/2020
L20 -	Covid-19 Business Continuity Significant staff absence due to the Covid-19 virus results in potential impacts on frontline service delivery and the ability to run the councils' business on a day to day basis.	Possible reductions in frontline service delivery, events, meetings and customer contact. Potential confusion amongst staff with regards to how to plan and respond to reduced service availability, professional support and maintain business as usual. Requirement to reprioritise service delivery. Requirement to offer mutual aid to partner organisations. Potential impact in the medium to long term resilience of staff may result in wider wellbeing issues. Assess critical services and consider alternative methods of delivery	5	5	25	Business Continuity Plans have been reviewed and tested Remote working in place Staff communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response. Regular updates from Director of Public Health, shared internally and externally. Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols). Regular communication messages following Public Health advice Sanitisers in washrooms/corporate buildings. Agile working being tested further across services, ensuring equipment and access is in place. Posters around the offices encouraging regular hand washing. Hand sanitisers available in washrooms and shared spaces. Improved understanding of the risk factors across the workforce identified through COVID-19 data. Stocks of laptops being maintained	Fully Partially Fully Fully Fully Fully Partially Fully Partially Fully	Councillor Barry Wood	Yvonne Rees	Claire Taylor	5	4	20	↔	Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements. The nature of the risk is such that national public health guidelines will determine the councils' response.	The nature of the risk is such that national public health guidelines will determine the councils' response. Risk controls and mitigating action updated.	Risk added 13/03/2020 11/05/20

L04 - Local Plan Risk

The latest Local Development Scheme is that approved by the Executive in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Level (CIL).

Partial Review

The Partial Review of the Local Plan (which seeks to help Oxford with its unmet housing need) is being independently examined. The Planning Inspector's preliminary views were received in July 2019 and were largely supportive. He recommended the deletion of a single proposed strategic housing allocation (land south east of Woodstock) and requested additional work for the re-distribution of the affected 410 homes. The necessary Main Modifications were consulted upon from 8 November to 20 December 2019. The modifications were approved by the Council on 24 February 2020 and submitted to the planning Inspector the following day. His final report is awaited. The Inspector will consider whether the Plan is 'sound' and legally compliant. No issues of legal compliance have been identified to date and in light of his preliminary advice, there is a **low risk** that he will find the Plan 'unsound'.

Oxfordshire Plan 2050

A Growth Deal commitment. The Plan is being prepared by a central Plan team appointed through the Oxfordshire Growth Board.. The Council contributes to the plan-making process as a partner with a view to it being adopted as part of the Development Plan upon completion.

Public consultation on an Issues Paper ended on 25 March 2019. A public 'call for location ideas' ended on 12 April. The central Plan team is evidence gathering and scoping 'spatial options' for Plan development. On 24 September 2019 the Oxfordshire Growth Board agreed a new timetable for completion of the Plan. This allows for further stakeholder engagement in Autumn/Winter 2019/20; public consultation on a formal Options Paper in June/July 2020; and, consultation on a proposed Plan at the end of 2020. The intention is to submit the Plan for Examination in March 2021. As the Plan covers five Local Planning Authority areas, is not under the immediate control of Cherwell officers and can be affected by wider regional influences, it had been considered that there was a **medium to high risk** that that the programme would be delayed. This has increased to **high risk** due to COVID19.

Local Plan Review

The timetable for the district-wide Local Plan review in the new Local Development Scheme requires:

- commencement in April 2020
- Consultation on Issues: July-August 2020
- Consultation on Options: February-March 2021
- Consultation on a draft Plan: October-November 2021

Additional staffing budget has been secured to help deliver this programme. The **risk to the programme is considered to be low** subject to the required staffing levels being achieved. The influence of the Oxfordshire Plan and its risk of delay to the district Plan raises the risk to **medium with mitigation**.

Banbury Canalside Supplementary Planning Document

The timetable for the Banbury Canalside SPD as set out in the new Local Development Scheme requires:

- preparation: March-September 2020
- formal consultation: September-October 2020
- adoption: December 2020

Additional staffing budget has been secured to help deliver this programme. The **risk to the programme would be low** subject to the required staffing levels being achieved. COVID19 and associated difficulties of site planning make this a **medium** risk.

Community Infrastructure Levy (CIL)

The timetable for CIL as set out in the new Local Development Scheme is aligned to Local Plan preparation. It requires:

- re-commencement: March 2021
- focused consultation on a draft charging schedule: October-November 2021
- formal consultation on a draft charging schedule: July-August 2022
- potential (if approved) submission of charging schedule: November 2022

Additional staffing budget has been secured to help deliver this programme. The **risk to the programme is low** subject to the required staffing levels being achieved.

Cherwell District Council

Accounts, Audit and Risk Committee

29 July 2020

Internal Audit Annual Report and Opinion 2019/20

Report of the Director of Finance

This report is public

Purpose of report

To receive the Internal Audit Annual Report, which provides the Head of Internal Audit's opinion and also summarises the activities of Internal Audit for the period 1st April 2019 to 31st March 2020.

1.0 Recommendations

The meeting is recommended:

- 1.1 to note and receive the Head of Internal Audit's Annual Report and opinion.

2.0 Introduction

- 2.1 Internal Audit undertakes a programme of work each year which is produced in consultation with senior management. This programme of work allows the Head of Internal Audit to provide an Annual Report and Opinion at the year end, which allows the committee to assess the overall quality of the control framework in operation.

3.0 Report Details

- 3.1 The Council contracted the provision of its Internal Audit for 2019/20 to CW Audit Services Limited, who have completed a range of audits during the year aimed at assessing the levels of assurance that can be assessed against the Council's System of Internal Control.
- 3.2 The attached report (Appendix 1) provides the Annual Report and Opinion, which in summary allows the Head of Internal Audit to provide an **overall opinion** 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.

- 3.3 For 2020/21, the opportunities for joint working have been reviewed and a decision made for OCC (Oxfordshire County Council) Internal Audit team to provide a fully integrated internal audit service across both OCC and CDC, from April 2020. Over recent weeks there has been a process of handover to ensure a smooth and seamless transfer. This report will be the last for CW Audit Services Limited.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Internal Audit Annual Report and Opinion is an important part of assessing the level of assurance that can be assessed from the Council's System of Internal Control. The overall opinion helps to support the Council's Annual Governance Statement, where the Head of Internal Audit's opinion forms an important element.

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: Members may choose to seek additional information from CW audit services and officers.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness – Assistant Director – Finance (Interim), 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

richard.hawtin@cherwell-dc.gov.uk

Risk Management Implications

7.3 There are no risk management implications arising from this report.

Comments checked by: Louise Tustian

Louise Tustian: Head of Insight and Corporate Programmes, 01295 221786,
louise.tustian@cherwell-dc.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 Audit Services Annual Report and Opinion – 2019/20
Background Papers	
None	
Report Author	Dominic Oakeshott – Assistant Director Finance (Interim)
Contact Information	dominic.oakeshott@cherwell-dc.gov.uk 01295 227943

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Cherwell District Council

Internal Audit Annual Report & Opinion 2019/2020

June 2020

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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. It also summarises the activities of Internal Audit for the period 1st April 2019 to 31st March 2020.

The Council is 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, 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.

The Council should consider my opinion, together with management assurances, its 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 the Section 151 Officer. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are detailed within the progress reports and individual assignment reports that have been issued to the Committee during the year.

2 Annual Head of Internal Audit Opinion

Page 44 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.

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. 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

A summary of work undertaken is included below:

- During the year we have undertaken reviews of the key controls operating in your core financial systems and your risk management system and were generally able to provide full or significant assurance for each system reviewed. The exception to this was in respect of Creditor Payments, where a moderate assurance opinion was provided. The key issues that contributed to this opinion relate to the requirement to introduce regular reporting on orders raised retrospectively and invoices paid without an order and take action to ensure that orders are placed at the point when commitment to incur expenditure is made. A recommendation was also made to strengthen the checks put in place to confirm the validity of requests received from suppliers to amend bank accounts.
- The COVID-19 pandemic that began in March 2020 had a significant impact on the workload of CSN Resources, who deliver the Business Rates, Council Tax, Benefits and Debtors systems for the Council. We were therefore unable to complete our audit of these systems and it was agreed that the Council's new Internal Audit Provider, Oxfordshire County Council will conduct expanded audit reviews during 2020/21.
- Our audits did not highlight any weaknesses that we deem sufficiently serious to be highlighted as a Significant Control issue in the Council's Annual Governance Statement.

Whilst not related to the work we have completed during 2019/20, we are recommending to all our clients that the impact/potential impact of the COVID-19 pandemic (for instance on HR, service delivery/capacity, existing systems/controls and budgets) be strongly considered for disclosure as a Significant Internal Control Issue.

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

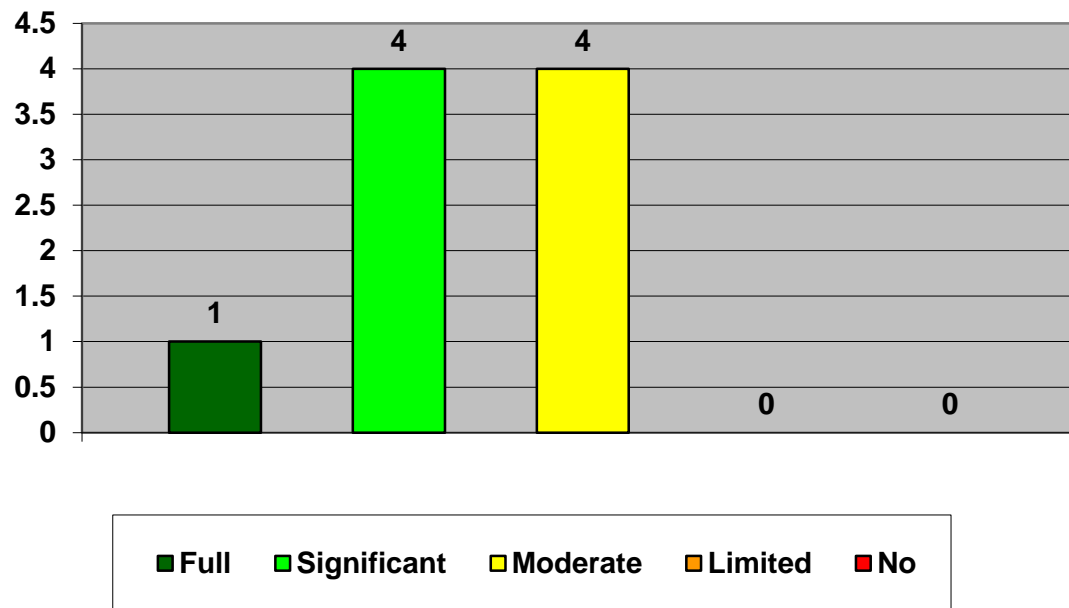
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our 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 2019/20 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.

Page 47 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 by an external assessment that was carried out in April 2018. I can confirm that all audits completed during 2019/20 were carried out in accordance with these systems and processes.

Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Risk Management	Significant
MOT Income	Moderate
Commercial Waste Income	Moderate
Budget Management & Reporting	Significant
Payroll	Significant
General Ledger	Significant
Creditor Payments	Moderate
Treasury Management	Full
Anti-Fraud & Corruption	Moderate
DFG Certification	N/A
Homes England Grant Certification	N/A



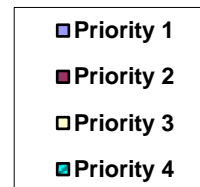
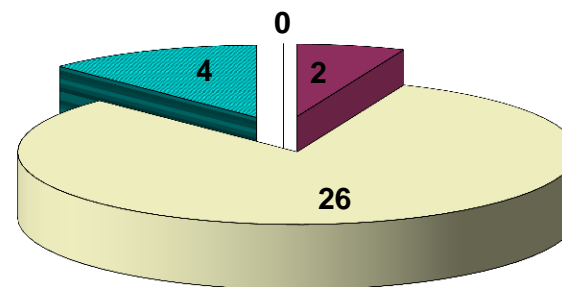
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Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements 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 2019/20

Priority	Number
1	0
2	2
3	26
4	6
Total	34

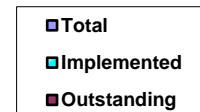
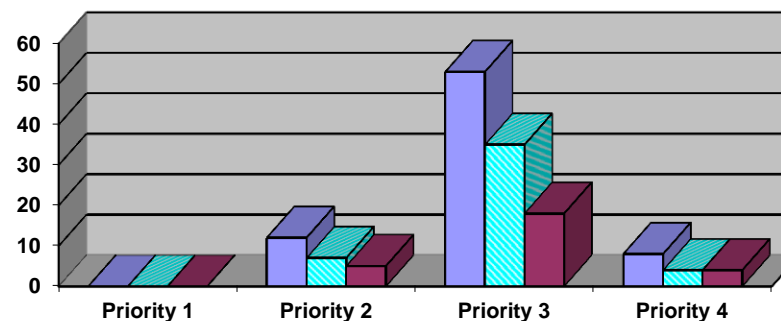


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Current status of all recommendations due for implementation by 31st March 2020

(N.B. including recommendations made from 2017/18 to 2019/20, but excluding 2019/20 recommendations that fall due for implementation after 31st March 2020)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	12	7	5
3	53	35	18
4	8	4	4
Total	73	46	27



Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

Cherwell District Council

Accounts Audit and Risk Committee

29 July 2020

Internal Audit Strategy and Plan 2020/21

Report of the Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2020/21.

1. Recommendations

The meeting is recommended:

- 1.1 to note and comment on the Internal Audit Strategy and Plan for 2020/21.

2. Introduction

- 2.1 As council service delivery is ever changing and its complexity increases there is a requirement for a high quality, experienced and agile internal audit function. The opportunities for joint working have been reviewed and a decision made for OCC (Oxfordshire County Council) Internal Audit to work across both OCC and CDC (Cherwell District Council) from April 2020, with the core objective of continuing to provide a highly-valued service, fully compliant with Public Sector Internal Audit Standards, continuously seeking to add value by identifying areas for organisational improvement.
- 2.2 The audit planning process for 2020/21 was completed and a draft annual plan produced and presented to CEDR. (Chief Executives Direct Reports). However due to the Covid-19 pandemic, the plan was refreshed and our workplan for quarter 1 re-prioritised. A revised audit plan has been prepared and is presented in this report.

3. Report Details

Background

- 3.1 The Accounts and Audit Regulations 2015 state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices;

these are defined as the Public Sector Internal Auditing Standards 2013, updated March 2017.

- 3.2 The Public Sector Internal Auditing Standards defines “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 3.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council’s Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 3.4 The Internal Audit Annual Plan is drafted and presented at the start of each financial year, however, will evolve and needs to be dynamic and subject to amendments / responsive to organisational change and resulting emerging risks during the year. For 2020/21, the Covid-19 pandemic has meant that the draft annual plan has already been revisited and reprioritised. The operational impacts, new control environment, any changes in governance arrangements, resulting from current events, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

Audit Planning Methodology

Our routine annual audit planning methodology comprises of:

- 3.5 The Internal Audit Plan is developed to consider the corporate vision and priorities of Cherwell District Council, the Leadership Team’s (CEDR) priorities and management’s assessment of risk as set out in the strategic risk register. The audit plan includes cross referencing to those priorities and risks.
- 3.6 We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking each activity as high, medium or low priority for inclusion within the Internal Audit Plan.
- 3.7 Audit planning is undertaken in accordance with Cherwell District Council’s Internal Audit Charter and Public Sector Internal Audit Standards.
- 3.8 As part of the annual planning process the Chief Internal Auditor meets with members of CEDR and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. Quarterly meetings with senior management are attended to ensure the plan is kept under continuous review. The plan is also reviewed quarterly with reference to the risk registers and presented to the Accounts, Audit and Risk Committee for consideration and comment. This ongoing review and insight enables the audit plan to be flexible to meet any changing assurance needs and risks of the organisation.
- 3.9 Our aim is to align our work with other assurance providers, including the External Auditors.

- 3.10 The Chief Internal Auditor continues to attend the Counties Chief Auditor Network (National Group) and also the Midland Counties and Districts Chief Internal Auditors Group to enable networking and to share good practice. This contributes to the internal audit planning activity.
- 3.11 The Accounts, Audit & Risk Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

Internal Audit Resourcing

- 3.12 From 1 April 2020, the Internal Audit team commenced a joint working approach, providing the internal audit service across both Oxfordshire County Council (OCC) and Cherwell District Council (CDC). One of the key benefits of this arrangement is being able to build a more sustainable team with the skills and capacity resilience that will help embrace future challenges. We will look to fully integrate the current Internal Audit team into CDC. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.
- 3.13 As partnership/joint working develops across services between OCC and CDC this will provide opportunities for joint assurance activities. There will be a “one-team” approach however there will be individual Internal Audit Plans for OCC and CDC to enable reporting to separate Committees. The internal audit structure is included in Appendix 1 for information.
- 3.14 The Committee will receive regular updates regarding the Internal Audit resourcing position. There are currently two vacancies within the team, one for a Senior Auditor and one for an apprentice trainee. There are national challenges with the recruitment of good quality internal audit staff, particularly at a senior level, therefore an important part of our strategy is to invest in developing trainees and “growing our own”. Unfortunately, the pandemic has impacted and delayed the recruitment of these vacancies, these are now being reviewed.
- 3.15 The internal audit team’s working arrangements have been disrupted in the weeks following lockdown, audit resource has been redirected to support Covid-19 payments response work, for example business grants/supplier payments.
- 3.16 The chargeable days available for CDC is 215 days for 2020/21. This includes days spent directly on audit assignments and also days spent on non-audit assignment work, for example audit planning, committee and senior management team meeting attendance, follow up of agreed management actions, production of the annual report.

Quality & Performance

- 3.17 OCC/CDC Internal Audit operates in conformance with the Public Sector Internal Audit Standards. We promote excellence and quality through our audit process, application of our Quality Assurance Improvement Programme and training and development. During 2020/21 we will be supporting 2 members of staff to complete

the Chartered Internal Audit qualification. Another member of staff has just commenced the Certified Internal Audit Qualification.

- 3.18 We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
- 3.19 The proposed performance indicators for 2020/21 are attached as appendix 2 to this report. Performance against these will be reported to the Accounts, Audit and Risk Committee on a quarterly basis.

2020/21 Internal Audit Plan

- 3.20 Appendix 3 sets out the Internal Audit Plan for 2020/21. In refreshing and re-prioritising, the internal audit plan for the year, Internal Audit needs to understand and assess the immediate and future risks resulting from the pandemic. The plan needs to remain fluid and responsive to changing priorities, new ways of organisational working and any changes to the governance arrangements and control environment.
- 3.21 The priority for quarter 1 has been in supporting the CDC Finance Team with the due diligence checks over Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Grants.

CDC administered the Covid-19 Small Business Grant (SBG) Fund and Retail, Hospitality and Leisure (RHL) Grant Fund for the Cherwell Area. These amounted to approximately £26m in grant funding (from March 2020 onwards). Over 2000 forms have been processed at CDC for the SBG and RHL Grants.

Whilst the onus was on Local Authorities to pass on the grant funding to local businesses quickly and efficiently to prevent local economic hardship or collapse; the high level of grant funding also presented Local Authorities with a significant fraud risk.

The CDC Finance Team & CSN undertook all the initial validation checks, where those checks failed these were passed onto Internal Audit for further investigation. Internal Audit reviewed 201 cases. Internal Audit also supported the process by uploading limited company data onto the government's due diligence Spotlight system.

The combined work of CDC Finance/CSN and the Internal Audit investigations have resulted in:

- 1,913 applications were assessed as eligible, passed all the checks and were paid = £25,115,000. 103 were identified as duplicates and not paid. 208 applications did not pass the CSN/Academy data checks and were not paid
- 201 applications were sent to Internal Audit for additional checks and of these 24 failed and were not paid (£305k blocked to incorrect or potentially fraudulent business applications). The remainder have been paid or are under investigation.

- 10 cases have been passed to the fraud team for more in-depth investigation, with a potential for taking further action. One case has been passed to the Operational Culverin fraud team (national police operation).

3.22 There is an increased fraud risk whilst operating during the pandemic, and this will need to be a key focus within the internal audit/counter fraud work plans, focusing on helping to prevent loss.

3.23 During quarter 1, we have undertaken the audit of Cyber Security, the final report has been issued, with the overall grading of Amber. The executive summary is included within Appendix 4. (Executive summaries of all finalised reports, since the last committee meeting will be included in our quarterly updates to the Accounts, Audit & Risk Committee). Our Red, Amber, Green definitions are included within Appendix 4 for information.

3.24 We have also completed our review of phase 1 of the implementation of the new Finance System. It has been agreed that Internal Audit would offer advice and review of controls for the new system at the design stage, build stage and integrated systems testing stage. From the input Internal Audit have had in relation to the review of the design stage, we have no significant concerns. We have some ongoing observations which have been reported on. These observations will be followed up by Internal Audit under the build phase.

3.25 We have also started to review against Public Sector Internal Audit Standards and have updated the Internal Audit Charter for CDC, this is being presented to the July Committee for approval.

3.26 We are working with the previous Internal Audit provider to take over the monitoring of open actions, including those recently agreed within 2019/20 reports and those from previous financial years. These will be loaded onto our monitoring system and officers requested to provide updates. We will report back on the progress of implementation of these actions at the September Committee meeting.

4. Conclusion and Reasons for Recommendations

4.1 This report summarises the audit planning methodology, resourcing and strategy for delivery of the internal audit function for 2020/21. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

5. Consultation

None

6. 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: No alternative options have been identified as this report is for information only.

7. Implications

Financial and Resource Implications

- 7.1 The cost of the internal audit function has been included within the Finance budget and assessed alongside the anti-fraud and corruption activity, which is currently under review. The overall budget consequences are believed to be within the overall finance budget but can only be assessed once the arrangements for anti-fraud have been concluded.

Comments checked by:

Dominic Oakeshott, Interim Assistant Director of Finance (Interim), 0300 003 0110
dominic.oakeshott@cherwell-dc.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, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Management Implications

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

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
louise.tustian@cherwell-dc.gov.uk

8. Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

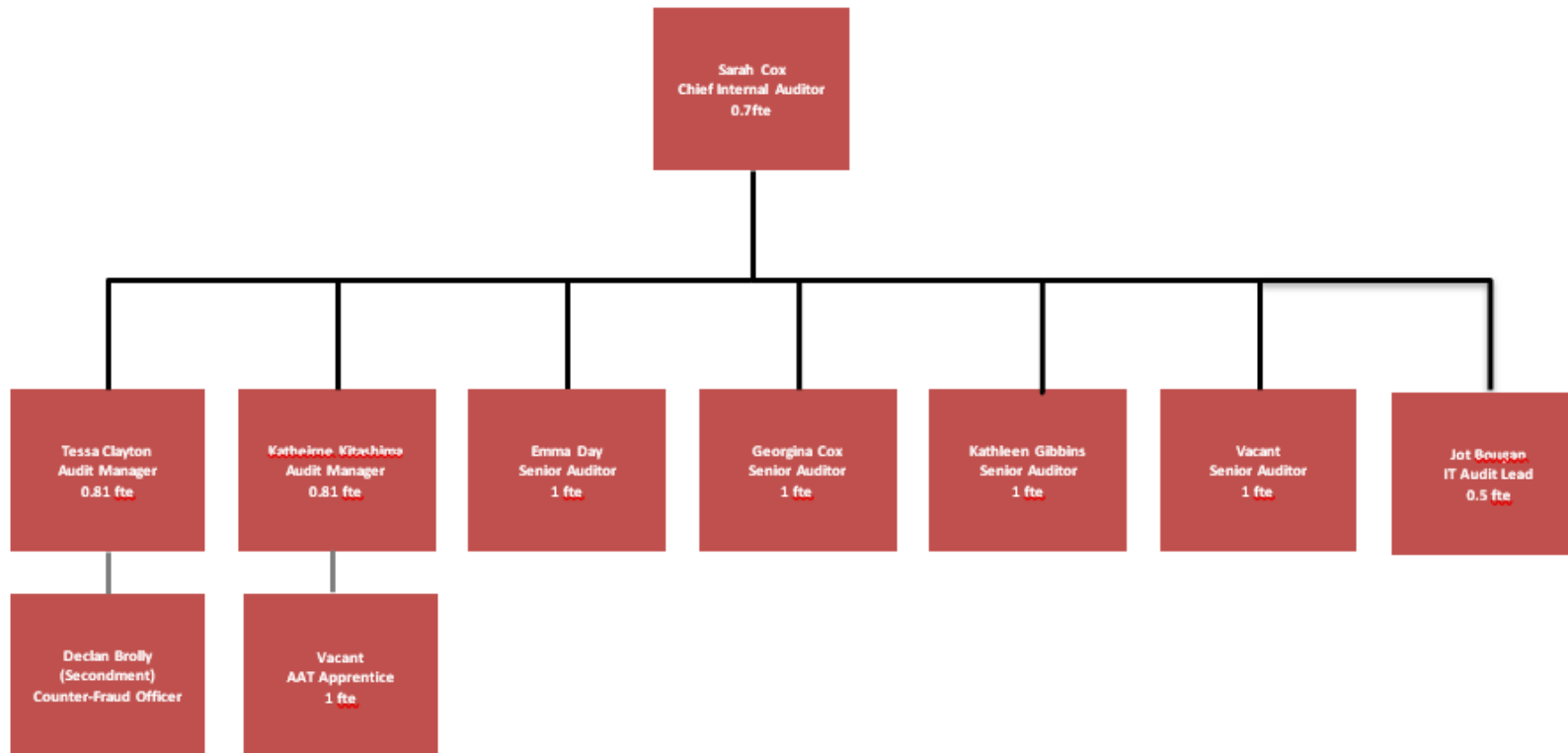
Councillor Tony Ilott – Lead Member for Financial Management.

Document Information

Appendix No	Title
Appendix 1	Internal Audit Structure Chart 2020/21
Appendix 2	Internal Audit Performance Indicators 2020/21
Appendix 3	Internal Audit Plan 2020/21
Appendix 4	Executive Summaries of reports finalised
Background Papers	
None	
Report Author	Sarah Cox, Chief Internal Auditor
Contact Information	Sarah.cox@Cherwell-DC.gov.uk 07393 001246

APPENDIX 1:

Internal Audit Structure 2020/21



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APPENDIX 2: PERFORMANCE INDICATORS 2020/21

	Performance Measure	Target	Frequency of reporting	Method
1	Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
2	Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
3	Elapsed time between issue of draft report and the issue of the final report	15 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
4	% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2021.	Annual Report to AAR Committee.	Internal Audit Performance Monitoring System
5	% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	Quarterly Report to AAR Committee.	Action Management Tracking System
6	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	Annual Report to AAR Committee	Questionnaire
7	Directors satisfaction with internal audit work	Satisfactory or above	Every two years - review of the effectiveness of IA - report to AAR Committee	Questionnaire, last completed in 2018/19, next due 2021.

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APPENDIX 3: CDC Internal Audit Plan 2020/21

Summary level plan:

Corporate Director / Area	Audit	Comments / Status as at 1 July 2020
Finance	Support with due diligence tests on Small Business Grants and Discretionary Grants	Ongoing – see main report (para 3.21) for detail of work completed by Internal Audit during quarter 1.
Finance	Key Financial Systems Assurance	Scope and timing to be agreed.
Finance	Revenues and Benefits (including debtors)	Scope and timing to be agreed.
Finance	Implementation of new Finance System (design of internal controls / processes, including design of IT security controls) – started in June	Ongoing – initial work has commenced working with the project manager and lead Finance representative, advising on the design of controls.
ICT audit	Cyber Security	Final Report
HR	Payroll (including IT security controls)	Scope and timing to be agreed.
Housing	Disabled Facilities Grant Processes (in addition to grant certification)	Scope and timing to be agreed.
Finance (Housing - Hardship Fund)	Discretionary Housing Payments / Hardship Fund	Scope and timing to be agreed.
Accounts, Audit & Risk Committee	Handover of monitoring of management action implementation	Work started, information recently from previous Internal Audit provider.
Account, Audit & Risk Committee	Public Sector Internal Audit Standards – compliance	Ongoing – Internal Audit Charter has been drafted and will be presented to the Accounts, Audit & Risk Committee for approval.
Grant Certification	Disabled Facilities Grant	Planned for September 2020
Grant Certification	Homes England Grant	Planned for September 2020

Detailed plan:

Audit	Scope	Audit Needs Assessment – Priority	Link to Corporate Plan & Leadership Risk Register
Covid-19 Small Business Grants / Discretionary Grants	<p>Internal Audit have provided support with the Covid-19 Small Business Grants process. Internal Audit have undertaken the spotlight checks (government due diligence tool) and investigated any requests that have failed the bank checks.</p> <p>Internal Audit are also providing support with the new process for providing Discretionary Grants.</p>	H	-
Finance – Key Financial Systems Assurance	Subject to an initial assessment by Internal Audit of the current assurances over the key financial systems, walkthrough testing will be completed to test the effectiveness of the organisation's key financial controls. The detailed scope will be agreed with the Director of Finance.	H	<i>Corporate Plan: Rigorous financial management. Efficient and effective governance. Leadership Risk register: Corporate Governance & Financial Resilience.</i>
Finance – Revenues and Benefits	The detailed scope will be agreed with the Director of Finance and CSN Operations Director. The audit will provide assurance over the controls in place in relation to the processing of housing benefit, NNDR, council tax and council tax benefit. (including debtors processes).	M	<i>Corporate Plan: Rigorous financial management. Efficient and effective governance. Homelessness prevention. Support and safeguard vulnerable people. Leadership Risk register: Corporate Governance & Financial Resilience.</i>
Finance – Implementation of New Finance System	The Council will be implementing a new finance system from April 2021. Internal Audit will look to support this major programme by reviewing the	H	<i>Corporate Plan: Rigorous financial management. Efficient and effective Governance. Leadership Risk register: Corporate Governance &</i>

	design of the future internal control framework, prior to go-live. Internal Audit will also provide IT audit assurance, reviewing the design of the system security controls.		<i>Financial Resilience.</i>
ICT audit – Cyber Security	Cyber threats remain a key area of business risk, the audit will provide assurance that there are adequate and effective management and technical controls in place to protect against cyber-threats.	M	<i>Corporate Plan: Efficient and Effective Governance. Leadership Risk Register: Business Continuity, Cyber Security.</i>
HR – Payroll	The Council have implemented a new HR / Payroll system from April 2020. The audit will provide assurance that that payments are accurate, timely and only paid to legitimate employees. Internal Audit will also provide IT audit assurance on the new system.	H	<i>Corporate Plan: Rigorous financial management. Efficient and effective governance. Leadership Risk register: Corporate Governance & Financial Resilience.</i>
Housing – Disabled Facilities Grant Processes	The Disabled Facilities Grant (DFG) provides the Council with funding to support the provision of adaptations to disabled person’s homes. The audit will provide assurance on the robustness of the policies and procedures in place from the management of applications through to the provision of approved adaptations. <i>(this is in addition to the grant certification work required on DFG – see below)</i>	M	<i>Corporate Plan: Support and safeguard vulnerable people. Rigorous financial management. Efficient and effective governance. Leadership Risk register: Corporate Governance & Financial Resilience.</i>
Finance (Housing for Hardship Fund) – Discretionary Housing Payments / Hardship Fund	Discretionary Housing Payments (DHP) are additional payments to people who are in receipt of Housing Benefit or the housing element of Universal Credit to help with their housing costs. Payments are made where the council believes that someone is in extra financial need with their housing costs. The council receives an annual allocation from the Government and sets a maximum which can be spent. The audit will provide assurance over the accuracy and processing of the applications. It will also consider the	M	<i>Corporate Plan: Support and safeguard vulnerable people. Rigorous financial management. Efficient and effective governance. Leadership Risk register: Corporate Governance & Financial Resilience.</i>

	controls and processes in place relating to payments made from the Hardship Fund.		
Handover of monitoring of management action implementation	A number of actions will be handed over from the provider of internal audit services for 17/18 – 19/20. These actions will be reviewed and loaded onto the Internal Audit follow up system. Implementation of these actions will be monitored and follow up testing undertaken where appropriate.	-	-
Public Sector Internal Audit Standards – compliance	A self-assessment will be undertaken by the Chief Internal Auditor to identify any gaps in compliance with the Public Sector Internal Audit Standards (PSIAS). Action will be taken to address any areas of non-compliance identified (for example the production and agreement of the Internal Audit Charter).	-	-
PSIA Grant certification: Disabled Facilities Grant	Requires Chief Internal Auditor sign off	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>
PSIA Grant certification: Homes England	Requires Chief Internal Auditor sign off	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>

APPENDIX 4 – Executive Summaries of reports finalised

Cyber Security 2020/21

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
User Education and Awareness	A	0	3
Security Incident Management	G	0	1
Malware Protection	A	0	4
Vulnerability Assessments	A	0	3
Security Patching	G	0	0
Privileged Access	A	0	3
Remote Access	G	0	1
		0	15

Opinion: Amber	Final Report Issued: 20 July 2020	
Total: 15	Priority 1 = 0	Priority 2 = 15
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	15	

Cyber security remains a key area of business risk and shows no signs of abating given the seemingly endless reports on network security breaches, data breaches, ransomware, phishing and other types of cyber-attack. In this context, it is pleasing to see that Cherwell District Council have recently taken the step to recruit an IT and Cyber Security Officer, which will be a shared post with Oxfordshire County Council. This is a significant step forward that will help ensure there is clear ownership and focus on cyber security within the two organisations.

There are a number of corporate IT security policies available on the Intranet, however, they were found to lack details on some key areas of cyber security. The review also found that users do not have to acknowledge the existence of IT security policies and are not provided with mandatory training on cyber security to ensure they are aware of their responsibilities.

There is a documented Information Security Management Policy and a separate document on how to deal with a cyber incident. However, we found that it lacks details around the entire incident life-cycle and hence there is a risk that security breaches are not dealt with effectively to minimise the impact on the organisation.

Systems are in place to protect against malware threats but there are weaknesses in procedures and configurations that should be addressed to increase security levels.

There are regular security vulnerability scans and an annual IT Health Check (ITHC) in line with PSN requirements. There is an ongoing project that is addressing all reported vulnerabilities and weaknesses which is expected to complete by the end of June 2020. Whilst technical security penetration testing has been performed, a phishing test has not been commissioned to assess the level of risk exposure to phishing attacks.

There is a regular programme of applying security patches to client machines and infrastructure.

The number of IT users with domain wide administrator privileges was confirmed as being valid. However, the service accounts with this level of access should be reviewed, as well as users outside IT Services who have administrator access on specific servers. All default passwords are changed on infrastructure when it is initially built but we are recommending a scan to confirm that this is the case.

All remote access to the corporate network is secure and encrypted and changes are being made to Office 365 to enhance the levels of user authentication. We have identified a weakness in remote connections that should be addressed to reduce the risk of unauthorised access.

Definition of Internal Audit RAG opinions:

Grading:	G	A	R
Conclusion on:			
Overall conclusion on the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

Cherwell District Council
Accounts Audit and Risk Committee

29 July 2020

Internal Audit Charter 2020/21

Report of the Director of Finance

This report is public

Purpose of report

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2020/21.

1. Recommendations

The meeting is recommended to:

- 1.1 Approve the Internal Audit Charter.
- 1.2 Note the Quality Assurance and Improvement Programme.

2. Introduction

- 2.1 This report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2020/21. These are subject to annual review.

3. Report Details

Internal Audit Charter

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Cherwell District Council Internal Audit Charter is included within Appendix 1.
- 3.2 The Charter sets out the purpose, authority and responsibility of the Internal Audit function, in accordance with the PSIAS. The Charter establishes the position of Internal Audit within the organisation, access and reporting

requirements. It also outlines the key responsibilities of the Accounts, Audit & Risk Committee.

- 3.3 This Internal Audit Charter is subject to approval by the Accounts, Audit & Risk Committee of Cherwell District Council on an annual basis, in line with PSIAS requirements.

Quality Assurance Improvement Programme (QAIP)

- 3.4 The PSIAS require that the internal audit activity maintain a Quality Assurance and Improvement Programme (QAIP). This is included within Appendix 2.
- 3.5 The Chief Internal Auditor is required to communicate to senior management and the Accounts, Audit & Risk Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. The QAIP details what will be reported to the Accounts, Audit & Risk Committee and the frequency.

PSIAS – Self Assessment / External Assessment Update

- 3.6 Internal Audit received a CIPFA external assessment against the Public Sector Internal Audit Standards (PSIAS) during November 2017. The assessment outcome was very positive with only a small number of minor improvements to documentation required and an overall conclusion that the service is highly regarded.
- 3.7 There is a requirement for an annual self-assessment against PSIAS to be completed (with external assessment scheduled every 5 years). The self-assessment was completed during June 2020 and it can be confirmed that Internal Audit continues to comply in full, with the standards.

4. Conclusion and Reasons for Recommendations

- 4.1 This report presents the Internal Audit Charter to the Accounts, Audit & Risk Committee which is requirement of PSIAS.

5. Consultation

None

6. 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: No alternative options have been identified as this report is for information only.

7. Implications

Financial and Resource Implications

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

Comments checked by:

Dominic Oakeshott, Interim Assistant Director of Finance (Interim), 0300 003 0110 dominic.oakeshott@cherwell-dc.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, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Management Implications

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

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
louise.tustian@cherwell-dc.gov.uk

8. Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Tony Ilott – Lead Member for Governance and Financial Management.

Document Information

Appendix No	Title
Appendix 1	Internal Audit Charter 2020/21
Appendix 2	Internal Audit Quality Assurance and Improvement Programme 2020/21
Background Papers	
None	
Report Author	Sarah Cox, Chief Internal Auditor
Contact Information	Sarah.cox@Cherwell-DC.gov.uk 07393 001246

APPENDIX 1:

Cherwell District Council Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority.

The Standards form part of the wider mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which includes the mission, core principles, definition of Internal Audit and Code of Ethics which define the way in which Internal Audit should be established and undertake its functions

This Charter sets out the purpose, authority and responsibility of Cherwell District Council's Internal Audit function, in accordance with the PSIAS and additional requirements for Local Government which are published via the Chartered Institute of Public Finance and Accountancy (CIPFA)

This Internal Audit Charter has been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference.

This Internal Audit Charter is subject to approval by the Accounts, Audit and Risk Committee of Cherwell District Council on an annual basis, in line with PSIAS requirements.

Definition of Internal Audit

Internal Audit has adopted the PSIAS definition of internal auditing as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Mission of Internal Audit

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles

To achieve Internal Audit's mission the following core principles for the professional practice of Internal Auditing are present and applied by Internal Audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of Cherwell District Council.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Code of Ethics

The Internal Audit function for Cherwell District Council has adopted the PSIAS Code of Ethics:

Integrity

- The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Objectivity

- Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

- Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Audit will also have a regard to the Committee on Standards of Public Life's Seven Principles of Public Life as contained within Cherwell District Councils Constitution and Officer's Code of Conduct

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Statutory Requirement

Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs." In Cherwell District Council, that officer is the Director of Finance.

Specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- b. supply the body with such information and explanation as that body considers necessary for that purpose.

In accordance with these regulations, internal audit staff should have access to any financial or non-financial records maintained by the council, or its partners in delivering council services, that are relevant to the audit activity being performed.

Definition of the Chief Audit Executive (CAE)

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. Within Cherwell District Council the Chief Internal Auditor is the designated 'Chief Audit Executive'

Definition of the Board

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Cherwell District Council the Accounts, Audit and Risk Committee, for the purposes of the key duties laid out in the PSIAS, is the Board.

The key duties of the Board (Accounts, Audit and Risk Committee) as laid out in the PSIAS are as follows:

- Approve the Internal Audit charter
- Receive the risk based Internal Audit plan including the Internal Audit resource plan
- Receive communications from the Chief Internal Auditor on internal audit's performance relative to its plan and other matters
- Receive an annual confirmation from the Chief Internal Auditor with regard to the organisational independence of the internal audit activity
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor.
- Make appropriate enquiries of the management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

Definition of Senior Management

The PSIAS anticipates the role of Senior Management includes the following:

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

Within Cherwell District Council 'Senior Management' is defined as the Section 151 Officer (Director of Finance)

Professionalism

The Internal Audit function for Cherwell District Council will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice

of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Internal Audit function for Cherwell District Council maintains an Audit Procedures Manual which is consistent with PSIAS requirements. These procedures are applied for all audit engagements.

Authority

The Internal Audit function for Cherwell District Council, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to, and communicate and interact directly with, the Accounts, Audit and Risk Committee.

Organisation

The Chief Internal Auditor will report functionally to the Accounts, Audit and Risk Committee, for example approving the charter and internal audit plan, and administratively to the Director of Finance, such as approving the internal audit activity's HR administration and budgets.

The Chief Internal Auditor will communicate and interact directly with the Accounts, Audit and Risk Committee, including in executive sessions and between meetings as appropriate.

Independence and objectivity

The internal audit function within Cherwell District Council will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited within Cherwell District Council. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Audit will ensure through the planning and resourcing process that any potential conflicts of interest are recognised and addressed through internal audit

staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity and that responsibilities for audit assignments are rotated periodically within the internal audit team.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

The Chief Internal Auditor will confirm to the Accounts, Audit and Risk Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Internal Auditor will disclose to the Accounts, Audit and Risk Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

Responsibility- Scope & Objectives

Internal audit is an assurance service that provides an independent and objective opinion to the council on the entire control environment comprising risk management, performance, control and governance by evaluating the effectiveness in achieving the organisation's objectives. Internal Audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit is accountable to the Director of Finance (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the council (through the Accounts, Audit and Risk Committee) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/ legality.

The council's external auditor relies on Internal Audit to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 Officer. Audit work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Annual Plan the balance being risks identified by Internal Audit. The Chief Internal Auditor collates an annual report on the effectiveness of the council's internal control environment.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Accounts, Audit and Risk Committee or management, as appropriate.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Accounts, Audit and Risk Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

Internal audit plan

At least annually, the Chief Internal Auditor will submit to the Accounts, Audit and Risk Committee an internal audit plan for review and approval. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Accounts, Audit and Risk Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management, including the Chief Executive, Director of Finance, Directors and Deputy Directors. It will be developed in accordance with the Internal Audit Charter and will link to the strategic objectives and priorities of Cherwell District Council. Prior to submission to the Accounts, Audit and Risk Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Chief Internal Auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication.

As part of the planning process, the Chief Internal Auditor will identify other potential sources of assurance and will include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Accounts, Audit and Risk Committee. The internal audit report will include an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final report will be issued to the relevant Director, Director of Finance and other officers in line with directorate protocols.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and monitoring and reporting on the implementation of management actions.

Arrangements for appropriate resourcing

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Director of Finance followed by the Accounts, Audit and Risk Committee as required to assess the associated risks or to recommend additional resources are identified.

The audit plan will remain flexible to address unplanned work including responding to specific control issues highlighted by senior management during the year.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with senior management and External Audit.

All internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

Fraud and Corruption

In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. Internal Audit fully considers the risk of fraud and corruption when undertaking its activities by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council's Anti-Fraud and Corruption Strategy, sets out responsibilities in this area.

Definition of Assurance Services

The PSIAS defines assurance services as follows: *"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation."*

Internal Audit provide this assurance across all parts of the Council reviewing the Council's "control environment" comprising risk management, control and governance, this enables the Chief Internal Auditor to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council's Annual Governance Statement.

Definition of Consulting Services

The PSIAS defines consulting services as follows: *"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."*

The PSIAS requires that approval must be sought from the Accounts, Audit and Risk Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

Quality assurance and improvement programme

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity, and evaluates the activity's conformance with the Standards and application of the Code of Ethics. As

such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to senior management and the Accounts, Audit and Risk Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- The scope and frequency of both internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

The results of the quality assurance and improvement programme and progress against any improvement plans must also be included in the annual report.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

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

Date approved: 29 July 2020 – Accounts, Audit and Risk Committee

Date of next review: July 2021

APPENDIX 2

Internal Audit - Quality Assurance and Improvement Programme

Introduction

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Cherwell District Council Internal Audit function that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving the service it provides.
- The Chief Internal Auditor is ultimately responsible for maintaining the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessments

Internal Assessment is made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of audit engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Applying relevant audit policies and procedures, including those set out in the Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met
- Review of all audit reports and agreed management actions by the Chief Internal Auditor prior to formal circulation.
- Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
- Established key performance indicators (KPIs) designed to improve Internal Audit's effectiveness and efficiency. These are signed off each year by the Accounts, Audit & Risk Committee.
- Corporate performance monitoring

- In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised
- Feedback from CSQs, performance against KPIs and reviews of working papers and audit reports will form part of the discussion during regular meetings / 121 discussions.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Chief Internal Auditor / Audit Manager file reviews to ensure performance in accordance with Internal Audit's Quality Procedures Manual.
- Review of internal audit Key Performance Indicators by the Chief Internal Auditor on a monthly basis, including elapsed time between start of audit and exit meeting, elapsed time between exit meeting and issue of draft report, elapsed time between issue of draft report and issue of final report, % of planned activity completed and % of management actions implemented.
- Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards. Any resultant action plans will be monitored by the Chief Internal Auditor on a quarterly basis.
- Independent annual review of the effectiveness of Internal Audit by the Council's Monitoring Officer, with results reported to and reviewed by the Accounts, Audit & Risk Committee.

External Assessment

External assessments will appraise and express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be discussed with the Accounts, Audit & Risk Committee.

Reporting

Internal Assessments – Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.

External Assessments – results of external assessments will be reported to the Accounts, Audit & Risk Committee and Section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Chief Internal Auditor will implement appropriate follow-up actions to ensure that action plans developed are implemented in a reasonable timeframe.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Date approved: July 2020

Date of next review: July 2021

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Cherwell District Council

Accounts Audit and Risk Committee

29 July 2020

Counter Fraud Progress Update

Report of the Director of Finance

This report is Public

Purpose of report

This report provides an update of the activity being undertaken to prevent and counter fraud across the Council's services, along with seeking approval of three related and updated policy statements.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Review and note the current progress of the work of the Corporate Fraud team
- 1.2 Consider future work plans and arrangements during 2020/21 and beyond
- 1.3 Approve the updated Whistle Blowing Policy, Money Laundering Policy and Anti-Fraud and Corruption Policy.

2.0 Introduction

- 2.1 The Authority's counter-fraud function is set out in the updated attached Anti-fraud and Corruption Policy, the Fraud Response Plan and the updated Whistleblowing Policy.
- 2.2 In July 2018 the Council worked in partnership with Oxford City Council to develop and deliver a counter fraud service to the Council under a two year contract, which has been extended for a short period to the end September 2020.
- 2.3 The aim of this report is to provide an update of the work completed since the last report in January 2020 and to seek approval of three updated policy statements.

3.0 Report Details

- 3.1 The 'Oxford Investigation Service' (OIS), which is the Counter Fraud team at Oxford City Council, has undertaken a wide range of activity supporting CDC over last few

months, which is articulated in the attached Appendix A. With the advent of the Covid-19 pandemic additional support has been provided by the County Council Audit Team working as part of the team supporting the grant payments to the businesses. The strong team approach that has been demonstrated bodes well for the future in providing effective preventative measures, whilst also helping to raise awareness of the sorts of strong preventive techniques that can be deployed.

- 3.2 The OIS have continued to support CDC and currently have 26 live cases including cases covering Single Person Discount, Undeclared Income, Council Tax Reduction, Undeclared Residents and Subletting. With the advent of the Covid-19 pandemic the increased risk of cyber fraud has been highlighted with information shared across the Council, which has been reported elsewhere on the agenda.
- 3.3 With the advent of Covid-19 CDC, along with all other Councils were asked to administer a grants scheme to small businesses, which sought to make payments to the local businesses from a total allocation of £26.7m. Currently the Council has provided support to over 2,000 businesses having allocated just over £26m of the funding allocated. A team approach has been deployed including staff from CSN Resources Limited, Finance, Growth and Economy and the County Council Finance and Audit teams. The work of the audit team has prevented the Council making inappropriate payments of approximately £350k and has also seen a number of fraud referrals as detailed in the Progress Update in Appendix A.

4.0 Work in Progress

- 4.1 It is important that CDC regularly reviews and updates various anti fraud and corruption policies, including the Whistle Blowing, Money Laundering and Anti-Fraud and Corruption policies, which have been re-written and updated and are included for the committee's consideration.

5.0 Conclusion and Reasons for Recommendations

- 5.1 Preventing fraud is an important role for the Council and the work of the Counter Fraud Team vital to supporting that goal. The advent of the Covid-19 pandemic has introduced new risks and also increased the work load in areas where risk can be higher. Being able to regularly report the progress of the fraud prevention work to this committee provides the opportunity to share and shape that work into the future.

6.0 Consultation

- 6.1 This report sets out the current performance and progress of the Counter Fraud Resource following the delegation of function. Ongoing review and monitoring as a part of the agreement takes place with the Assistant Director of Finance and the Deputy Section 151 Officer.

7.0 Alternative Options and Reasons for Rejection

This report is for noting progress and performance only. Therefore, no alternative options are presented for consideration

8.0 Implications

Financial and Resource Implication

- 8.1 The contract for Cherwell District Council for the provision of Counter Fraud services is £81,192 for the period 16 July 2018 to 15 July 2019 and £82,897 for the period 16 July 2019 to 15 July 2020. In budgetary terms that equates to £82,471 for 2019/20 and for the period from April to September 2020 equates to £27,632 which are both within the overall approved budgets. This will be reviewed as part of the update of the contract arrangements.
- 8.2 In addition to cashable savings, having a robust counter fraud strategy which includes a dedicated investigation team has additional benefits. These include preventing additional financial and reputational loss alongside other advantages such as advice, guidance and public assurance that the authority is actively working to tackle fraud in the district.

Comments checked by: Dominic Oakeshott – Assistant Director Finance (Interim), telephone 01295 227943, dominic.oakeshott@cherwell-dc.gov.uk

Legal Implications

- 8.4 The policies mentioned in this report are intended to underpin the council's responsibilities arising from and mitigate potential legal liabilities connected with the council's counter-fraud function, including the Bribery Act 2010, The Fraud Act 2006, The Proceeds of Crime Act 2002, the Terrorism Act 2000, The Money Laundering Regulations 2007, and The Public Interest Disclosure Act 1998.

Comments checked by:
Richard Hawtin, Team Leader – Non-contentious, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Management Implications

- 8.5 There are no risk management implications arising from this report.

Comments checked by: Louise Tustian
Louise Tustian: Head of Insight and Corporate Programmes, 01295 221786,
louise.tustian@cherwell-dc.gov.uk

9.0 Decision Information

Wards Affected

All

Lead Councillor

Councillor Tony Ilott – Lead member for Finance and Governance

Document Information

Appendix Number	Title
Appendix A	Progress Update
Appendix B	Whistle Blowing Policy
Appendix C	Money Laundering Policy
Appendix D	Anti-Fraud and Corruption Policy
Background Papers	
None	
Report Author	Rob Ducker (Senior Investigation Officer)
Contact Information	Rob Ducker: 01865 252180 Robert.ducker@cherwellandsouthnorthants.gov.uk

Accounts, Audit and Risk Committee
29 July 2020
Appendix A - Progress Update

Results

As there has not been a committee meeting since January 2020 I have included all of the figures since that date. Between 01 April 2020 and the 15 July 2020, the corporate fraud team has achieved the following results:

Directly Attributable Savings

Type	Fraud Loss Avoidance*	Income Generated	Comment
Council Tax Reduction Scheme	£2,665.78	£2,530.86	Loss avoidance is based on the Oxford model of 104 weeks future entitlement
Council Tax Single Person Discount / Other exemptions	£3,648.10	£2,914.70	Achieved through reactive investigation casework

Indirectly Attributable Savings

Type	Fraud Loss Avoidance*	Income Generated	Comment
Housing Benefit	£10,235.68	£13,710.13	Although no longer tasked with investigating Housing Benefit, these values are the by-product of Council Tax Reduction scheme and tenancy fraud investigations

Totals

	£16,549.56	£19,155.69	
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*Future savings are calculated based on a nationally accepted model, devised by the former Audit Commission and updated by the Oxford Investigation Service. The rationale behind the calculations show that, without intervention from the Counter-Fraud Team, a fraudulent or irregular payment would have continued for a period of time before being detected in another way. For Housing Benefit and Council Tax Reduction, this period has been determined as an average of 104 weeks.

Grant Schemes

With the advent of Covid-19 CDC, along with all other Councils were asked to administer a grants scheme to small businesses, which sought to make payments to the local businesses from a total allocation of £26.7m. Currently the Council has provided support to over 2,000 businesses having allocated just over £26m of the funding allocated. A team approach has been deployed including staff from CSN Resources Limited, Finance, Growth and Economy and the County Council Finance and Audit teams. The work of the audit team has prevented the Council making inappropriate payments of approximately £350k and has also seen a number of fraud referrals.

The OIS Fraud Team have assisted the Audit team who have identified 10 applications that may be fraudulent. These applications range from companies that were not trading at the time of the process opening, have made duplicate applications or do not appear to have ever occupied a business premises. As there was a robust application process adopted this has prevented fraudulent payments being made. Applications that have been questioned by the process team have then been passed to the Fraud Team to investigate. There are a number of options open to the Fraud Team to manage these cases. To prove any criminal intent the offenders will have to be interviewed under Caution, which due to the Covid 19 crisis has proved to be problematic. Measures have now been put in place to address this so that interviews can take place. There are a number of cases that could potentially lead to prosecutions but at the present time the Fraud Team is still gathering evidence before interviews are conducted.

COUNTER FRAUD TRAINING AND INFORMATION

During the Counter Fraud Week the Executive Director of Finance and the Director of Finance at Oxfordshire County Council highlighted the importance of fraud prevention and awareness with a combined video across both Councils via their intranet and communications processes. The importance looking to the future of highlighting the need to prevent and avoid fraud in ways that engage staff across the Council in a creative manner.



WHISTLE BLOWING POLICY

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

- 1. Introduction**
- 2. Who can use this policy?**
- 3. What does this policy apply to?**
- 4. Purpose of whistle blowing policy**
- 5. Protecting the identity of whistle blowers**
- 6. How will the Council protect whistle blowers?**
- 7. Anonymous allegations**
- 8. Untrue allegations**
- 9. Role of trade unions and professional associations**
- 10. How do workers blow the whistle?**
- 11. How will the Council respond to whistle blowing?**

12. Taking concerns further

13. Monitoring and reporting

14. Responsibility for this policy

15. How to respond to a Whistleblowing Concern – Flow Chart

1. Introduction

1.1 Employees are often the first to realise that there may be something seriously wrong within a local authority. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances employees may feel that it is easier to ignore the concern, rather than report what may just be a suspicion of malpractice.

1.2 Cherwell District Council (CDC) are committed to the highest possible standards of openness, probity and accountability. In line with that commitment CDC encourage employees and others with serious concerns about any aspect of either Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis.

1.3 Whistle blowing is the term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organization's own reputation. For example, instances of theft from the Council, accepting or offering a bribe, and failure by colleagues to adhere to Health & Safety directives could all be the subject of a Whistle blow.

1.4 The Government expects public bodies to have a policy in place and the Whistle blowing policies and procedures in local authorities are assessed regularly as part of their external audit and review. The Council is committed to the highest possible standards of openness, probity and accountability, and so has developed and endorsed this policy. In line with that commitment it expects and encourages employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

1.5 This policy document makes it clear that concerns can be raised without fear of victimisation, subsequent discrimination or disadvantage. This Whistle blowing policy is intended to encourage and enable employees to raise concerns within either Council in person, rather than overlooking a problem or using other methods to report concerns.

2. Who can use this policy?

2.1 This policy is for Council officers whether they be full or part-time employees, secondees, casual workers or volunteers, or contractors. Members of the public can use the Council's complaints procedure or complain to the ombudsman.

3. What does this policy apply to?

3.1 This policy applies to anything illegal, improper, unethical or wrong that is done by:

- officers
- Councillors
- co-opted committee members
- anyone representing the Council
- partner organisations
- contractors, consultants or other suppliers.

3.2 Examples would include a criminal offence, fraud or corruption, damage to the environment, safeguarding concerns, theft or misuse of public money, breach of a legal obligation, a failure to follow the Council's finance, contract or other rules or a deliberate attempt to conceal any of these things.

3.4 The Council has other policies and procedures, for example on recruitment and selection, discipline, grievances, bullying and harassment and diversity. The whistle blowing policy should only be used when other policies are inappropriate.

3.5 If an employee raises a disclosure whilst they are subject to another of the Council's procedures, for example, Staff Disciplinary and dismissal policy and procedures , , or Sickness Absence Management Procedure, parallel investigations may be conducted. The Procedures already instigated will not, in most cases, be suspended. However, the employee's right to raise a concern under this Procedure will not be affected.

4. Purpose of whistle blowing policy

4.1 Officers with serious concerns about any of the Council's work or activities are expected to blow the whistle. This policy document makes it clear that an employee can do so without fear of victimisation, subsequent discrimination or disadvantage. This policy:

- encourages officers to blow the whistle within the Council rather than say nothing or take their concerns elsewhere
- protects whistle blowers from reprisals as long as they have acted honestly and in the public interest
- provides a procedure for whistle blowing
- ensures whistle blowers get a response
- gives advice on what to do if the response is not good enough.

5. Protecting the identity of whistle blowers

5.1 The Council cannot guarantee to protect the identity of whistle blowers as it may, during an investigation, have to say where it got its information from and disclose the original complaint. The whistle blower may also have to act as a witness in any subsequent hearing.

6. How will the Council protect whistle blowers?

6.1 The Council will protect whistle blowers from reprisals as long as they had a reasonable belief that the allegations were true and made them in good faith. Reprisals will be treated seriously as a disciplinary offence and dealt with through the disciplinary procedure. Where workers blow the whistle but do not cite the policy they will still be protected under it.

6.2 The Council will try to minimise any difficulties resulting from whistle blowing. For example, it will advise whistle blowers about the procedure if they have to act as witnesses.

7. Anonymous allegations

7.1 This policy encourages workers to put their names to allegations but the Council may investigate allegations made anonymously. In deciding whether to investigate an anonymous allegation, the Council will consider how serious it is, whether it is believable and whether evidence can be obtained from a non-anonymous source.

8. Untrue allegations

8.1 Workers will not suffer reprisals for making allegations that turn out to be untrue, as long as they had a reasonable belief that the allegations were true and made them in the public interest. Allegations that are made without a reasonable belief as to their truth or not made in the public interest are likely to be treated as a disciplinary offence and dealt with through the disciplinary procedure.

9. Role of trade unions and professional associations

9.1 Workers can raise concerns themselves or ask their trade union or professional association to act on their behalf. Whistle blowers can bring a trade union or professional association representative or a friend with them to meetings.

10. How do workers blow the whistle?

10.1 Saying that the whistle blowing procedure is being used

The whistle blower should wherever possible make it clear from the start that they want to use the whistle blowing procedure.

10.2 Putting concerns in writing

Whistle blowers should wherever possible put their concerns in writing, giving as much detail and including relevant dates. Whistle blowers are not expected to prove that their allegations are true

but they need to show that there are reasons for raising their concern and it was made in the public interest. If a whistle blower does not feel they can put their concerns in writing, they can be interviewed instead.

10.3 Who should whistle blowers go to with their allegations?

Whistle blowers should normally go to their line manager or head of service but if the whistle blower does not want to go to their line manager or head of service, they can go to the Chief Executive, a Director, the Monitoring Officer or the Director of Finance. If the whistle blower suspects fraud or corruption, they can also go to the Council's Corporate Fraud Team/internal auditors.

11. How will the Council respond to whistle blowing?

11.1 Notification of allegation Upon receipt of an allegation under this policy the person receiving the allegation must immediately notify the Monitoring Officer, the Head of Financial Services and the Head of Business Improvement (unless the allegation relates to one or more of them).

11.2 Appointment of an officer to investigate

The person receiving the complaint will agree, in consultation with the Monitoring Officer, the Director of Finance and the Head of Insight and Corporate Programmes how (unless the allegation relates to one or more of them) the allegation will be investigated and write to the whistle blower within 10 working days. The letter should:

- acknowledge that the whistle blower has used the whistle blowing policy
- say how their concern will be dealt with and how long they think this will take
- tell them whether any initial enquiries have been made
- say what further action will be taken (or say why no further action will be taken)

Tell them they have the right to bring someone with them to any meetings they have to attend about the allegation.

11.3 Interviews

If the whistle blower has not put their concerns in writing, they may be interviewed. A summary of the interview will be made which should be signed by the person conducting the interview and the whistle blower.

11.4 Further action

After preliminary investigation the Council will take further action if the investigation officer decides it would be in the public interest to do so. Further action may include:

- Arranging an investigation by management or Corporate Fraud Team/Internal auditors
- Arranging a disciplinary process
- Referring allegations to the police

- Referring allegations to the external auditor
- Arranging an independent inquiry if the allegations are very serious or complicated

11.5 Response to whistle blowers at the end of the investigation

If the law allows, the Council will tell the whistle blower the outcome of any investigation within 10 working days of it ending.

11.6 Support

Whistle blowers are encouraged to obtain support and advice that may include their trade union representative or HR team contact, a designated representative for bullying and harassment or the charity Public Concern at Work, the whistleblowing charity, which provides a confidential independent helpline for whistleblowers. Contact details are shown below.

Public Concern at Work

(Independent whistleblowing charity)

Helpline: (020) 7404 6609

E-mail: whistle@pcaw.co.uk

Website: www.pcaw.co.uk

12. Taking concerns further

12.1 If a worker has sought advice and feels it is right to raise their concerns outside the Council, people they could approach include their local Council, their local councillor, the external auditor, the health and safety executive, a government department, a solicitor, the police, an MP or a relevant professional body or regulatory organisation. If a worker does raise their concerns outside the Council, they must do it without passing on confidential information. The Monitoring Officer can give advice on this.

13. Monitoring and reporting

13.1 The Director of Finance (or their nominated deputy) will report to each meeting of the Audit and Governance Committee on the number (if any) of whistle blowing complaints made as part of the Council's anti-fraud and corruption awareness framework.

14. Responsibility for this policy

14.1 The Monitoring Officer has overall responsibility for this policy and how it is used and how the policy is working.

15. How to respond to a Whistleblowing Concern – Flow Chart

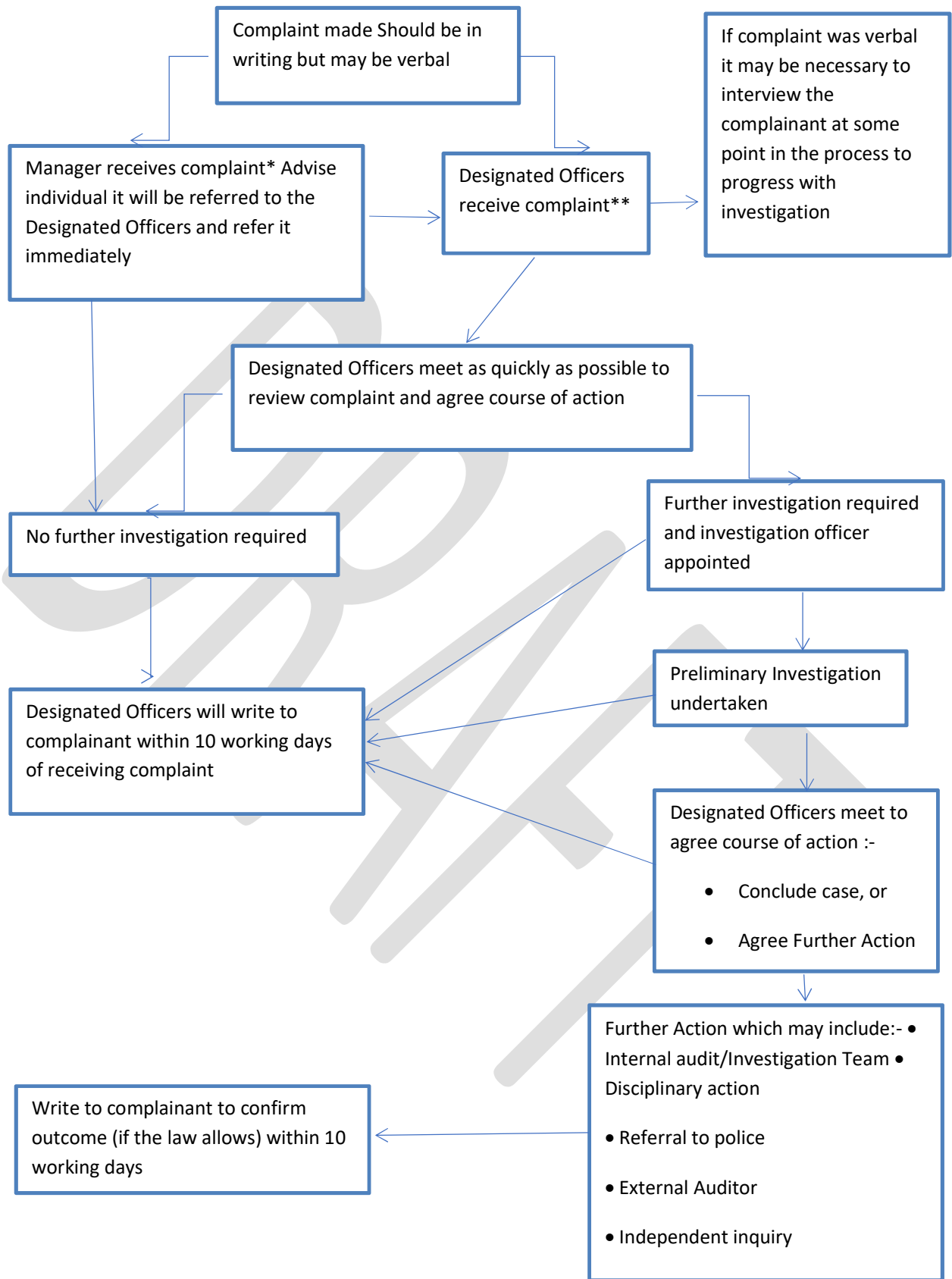
15.1 This is an overview only and should be used in conjunction with the Whistleblowing Policy.

Designated Officers are Head of Business Improvement, Head of Financial Services and Monitoring Officer.

* If there is any doubt as to whether the complaint could be considered to be whistleblowing the manager must refer it as such.

** Unless the complaint is about one or more of the Designated Officers when it should be referred to an Executive Director or the Chief Executive.







Anti-Money Laundering
Policy and Procedures

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Section A – Anti-Money Laundering Policy

1. Introduction

- 1.1 In carrying out their functions and responsibilities, Cherwell District Council wishes to promote a culture of openness and fairness and expect all those who work for and with the Council to adopt the highest standards of propriety and accountability.
- 1.2 The purpose of this policy is to clearly state the duty and responsibilities of all Cherwell District Council employees, members and volunteers working for or on behalf of Council in relation to anti-money laundering.
- 1.3 This policy supports the Cherwell District Council Corporate Plan objective for an efficient and effective council.

2. Aims

Through this policy and associated procedures, Cherwell District Council aims to;

- Meet anti-money laundering legal requirements and associated regulations.
- Ensure staff are aware and understand the Anti-Money Laundering legal requirements, offences, background, process and expectations set down in this policy – with appropriate support to ensure that the policy is complied with.
- Ensure the Council has robust, risk-based processes that are effectively and consistently followed, to understand with whom we are dealing and any money laundering risks they may represent.
- Ensure money laundering suspicions are proactively and immediately reported.
- Maintain comprehensive records of anti-money laundering checks and concerns.
- Guard against Cherwell District Council becoming involved in money laundering, thereby ensuring the safeguarding of public money.

3. Objectives & Duties

Not all of the Cherwell District Council's business is "relevant" as set out in legislation, which is aimed primarily at the regulated sector. It applies mainly to the accountancy and audit services carried out by Financial Services and the risk may be at its greatest in regard to certain property transactions. However, all Council employees should have due regard to this policy, particularly those involve in any type of financial transaction. The purpose of the policy to protect both employees and the organisation, and minimise legislation.

In order to achieve the aims of this policy, and to ensure compliance with legislation, Cherwell District Council has established internal processes, procedures and duties to prevent the use of its services for money laundering. These include:

- Clear lines of accountability within the Council for anti-money laundering
- The appointment of a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees, contractors and Members of suspected money laundering activity.
- A documented process to require the reporting of suspicions of money laundering.
- The establishment and maintenance of client identification requirements in certain circumstances
- The establishment and maintenance of record keeping requirements.
- Communication with all employees, members and volunteers to ensure they are aware of their responsibilities and how to act in ways that protects them from money laundering.
- The training of relevant staff in how to recognise and deal with transactions which may be related to money laundering.

4. Policy Scope

- 4.1 This policy and procedures apply to all council employees, which include contractors and agency staff.
- 4.2 This policy and procedures apply to all elected Councillors, also known as Members.

- 4.3 This policy and procedure also applies to any person volunteering for Cherwell District Council.
- 4.4 This policy does not cover companies which are wholly owned by Cherwell District Council. In these scenarios, separate policies exist which are specifically tailored to those entities.

5 Legal Framework

- 5.1 This policy has been developed in accordance with the principles established by relevant legislation and guidance.
- 5.2 New obligations were imposed by
- The Sanctions and Anti-Money Laundering Act 2018
 - Criminal Finances Act 2017
 - The Proceeds of Crime Act 2002
 - The Terrorism Act
 - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on Payer) Regulations 2017
 - The Money Laundering and Terrorist Financing (Amendment) Regulations 2019
- 5.3 This legislation sets out the definition of money laundering and the range of activities caught by the statutory control framework. In particular, the legislation imposes a duty to report suspicions of money laundering and sets out the criminal sanctions imposed for failure to do so.

6 Interaction with other council policies and external documents

The Policy should be read alongside

- Anti-Bribery, Fraud and Corruption Policy
- Employee Code of conduct
- Member's Code of Conduct
- Whistle Blowing Policy

7 Roles & Responsibilities

- 7.1 All Employees, members and volunteers are responsible for carrying out their duties in a way that prevents money laundering as follows:

- To be alert to where the CDC may be targeted by individuals or businesses trying to launder the proceeds of crime;
- To avoid alerting anyone dealing with CDC that you have a suspicion they may be attempting to launder, or have laundered, the proceeds of crime; and
- To report any suspicions of money laundering to CDC's MLRO using the specified documentation

7.2 It is not your responsibility to decide whether a suspicious transaction actually constitutes money laundering.

7.3 Failure to comply with the procedures set out in this Policy may lead to disciplinary action being taken in accordance with the Council's Disciplinary Policy.

7.4 **The Designated MLRO**

Cherwell District Council has nominated the Section 151 Officer to be the MLRO, and to be responsible for anti-money laundering measures within CDC. This includes responsibility for:

- a) Compliance with legislation and regulatory guidance;
- b) Ensuring compliance with CDC Anti-Money Laundering Policy;
- c) Ensuring relevant staff receive training;
- d) Deciding whether a suspicious activity report requires disclosure to the National Crime Agency ("NCA") and ensuring that all necessary disclosures to the NCA are made as quickly as possible.

7.5 The current MLRO is the Sect 151 Officer.

7.6 In the absence of the MLRO, or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Deputy MLRO who will be the Deputy Sect 151 Officer.

7.7 It is the MLRO's (or their deputy) sole responsibility to ensure that CDC is compliant with the relevant legislation and regulatory guidance. No responsibility for this will at any time be delegated to any other Officer

Other Responsible Officers

7.8 **The Investigations Team Manager**

Responsible for ensuring this policy is up to date and that a system is in place to ensure that managers are informed about their duties in relation to this policy.

7.9 **All Heads of Service**

Must ensure that their employees, members and volunteers comply with the Anti-Money Laundering Policy and Procedures and attend relevant training sessions

7.10 All Line Managers

Are responsible for ensuring that their contractors, employees, members and volunteers dealing with the receipt of funds or having contact with the public are aware of this policy and given appropriate support and training to fulfil the requirements of this policy.

7.11 Audit & Governance Committee

To acknowledge and approve the policy as fit for purpose.

8 Monitoring & Review

8.1 The risk to the council of contravening the anti-money laundering legislation will be assessed on a periodic basis, or as required by legislative updates

8.2 The adequacy and effectiveness of the Anti-Money Laundering Policy will be reviewed in light of such assessments.

8.3 This policy will be reviewed every 2 years, with significant revisions subject to the Council's Audit & Governance Committee clearance process.

8.4 A periodic review of compliance will be undertaken as part of the provision of the Internal Audit function, as determined by a strategic risk assessment, and appropriate work plan response.

Section B –Definitions

9 Anti-Money Laundering definition

9.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy.

9.2 Such offences are defined under the Proceeds of Crime Act 2002 as the following 'prohibited acts':

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Doing something that might prejudice an investigation e.g. falsifying a document
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion

- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- 9.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.
- 9.4 Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities. Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.
- 9.5 Money laundering is the process of channelling 'bad' money into 'good' money in order to hide the fact the money originated from criminal activity. Money laundering often occurs in three steps: first, cash is introduced into the financial system by some means ("placement"), the second involves a financial transaction in order to camouflage the illegal source ("layering"), and the final step entails acquiring wealth generated from the transactions of the illicit funds ("integration").
- 9.6 Most money laundering offences concern far greater sums of money since the greater the sum of money obtained from a criminal activity, the more difficult it is to make it appear to have originated from a legitimate source or transaction.
- 9.7 Whilst the risk to CDC of contravening the legislation is low, it is extremely important that all employees, contractors and Members are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. A key requirement is for employees and contractors to promptly report any suspected money laundering activity to the MLRO.

Section C – Anti-money laundering procedures - what you need to do

This section sets out the range of work that supports the implementation of the policy

10 Reporting Suspicions of Money Laundering

- The concept of a 'suspicion' of money laundering features a number of times in the legislation and regulatory guidance but is not defined. The courts have defined it as being beyond mere speculation, being based on some foundation. For a transaction to be suspicious, the exact nature of the criminal offence need not be certain.

- Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 (as amended), you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.**
- Advice for both employee and the MLRO are attached at **Appendix1**. A flow chart illustrating the procedure for reporting money laundering is at **Appendix 2**. The Report to Money Laundering Reporting Officer form is at **Appendix 3**

11 Record Keeping Procedures

Each service area conducting relevant business must maintain records of:

- Client identification evidence obtained
- Details of all relevant business transactions carried out for clients for at least five years.
- This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.
- The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, all areas of OCC will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

12 Guidance for cash payments.

- No payment to CDC should automatically be accepted in cash (including notes, coins or travellers cheques in any currency) if it exceeds £5,000. This does not, however, mean that cash transactions below this value will be valid and legal and should not arise any suspicion. Professional scepticism should remain at all times.
- Employees who collect cash payments are asked to provide the details of any cash transaction over £5,000 to the MLRO so that precautionary checks can be performed.
- CDC, in the normal operation of its services, accepts payments from individuals and organisations. If an employee has no reason to suspect or know that money laundering activity is taking/has taken place and if the money offered is less than £5,000 in cash as payment or part payment for goods/services offered by the Council then there is no need to seek guidance from the MLRO.

- If a member of staff has reasonable grounds to suspect money laundering activities or proceeds of crime, or is simply suspicious, the matter should still be reported to the MLRO. If the money offered is £5,000 or more in cash then payment must not be accepted until guidance has been received from the MLRO even if this means the person has to be asked to wait.
- Any officer involved in a transaction of this kind should ensure that the person provides satisfactory evidence of their identity personally, through a valid passport/photo driving licence plus one other document providing evidence of current address in the form of a bank statement, credit card statement, mortgage or insurance details or a utility bill which is no more than three months old. Where the other party is a company, this can be done through company formation documents or a business rates bill plus online checks.
- Any transactions that involve an offshore company or are one of the following- the transactions are complex or unusually large, unusual pattern of transactions or transactions have no apparent economic or legal purpose, the MLRO must be informed

13 Further Information

- Further information can be obtained from the MLRO, the Corporate Fraud Team, and the following sources:
- National Crime Agency (NCA) – <http://www.nationalcrimeagency.gov.uk/>
- CIPFA - <http://www.cipfa.org/members/members-in-practice/anti-money-laundering>
- CCAB - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants – www.ccab.org.uk (main site) or [Anti-money laundering guidance for the accountancy document](#)
- The Law Society - Anti-Money Laundering Guidance and Advice - <http://www.lawsociety.org.uk/support-services/risk-compliance/anti-money-laundering/>

Appendix 1

Reporting Advice

Your disclosure should be made to the MLRO using the Report to Money Laundering Reporting Officer form at Appendix 3. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
- Full details of the nature of their/your involvement - If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline
- The types of money laundering activity involved - if possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both
- The dates of such activities, including whether the transactions have happened, are on-going or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- Why, exactly, you are suspicious.

The MLRO will require full reasons along with any other available information to enable them to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them to prepare a report to the NCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

Once you have reported the matter to the MLRO you must follow any directions they may give you. You must NOT make any further enquiries into the matter yourself; any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All employees and contractors will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has

given consent to a particular transaction proceeding, without the specific consent of the MLRO; **otherwise you may commit a criminal offence of “tipping off”**.

Do not make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the Disclosure by the MLRO

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. They should also advise you of the time-scale within which they expects to respond to you.

The MLRO will consider the report and any other available internal information they think relevant e.g.:

- Reviewing other transaction patterns and volumes;
- The length of any business relationship involved;
- The number of any one-off transactions and linked one-off transactions;
- Any identification evidence held.

The MLRO will undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved).

The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- There is actual or suspected money laundering taking place; or
- There are reasonable grounds to know or suspect that is the case; and
- Whether they needs to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for nondisclosure, then they must note the report accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they does not disclose this as soon as practicable to the NCA.

Further information on how to make a report to the NCA is available from <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/economic-crime/ukfiu/how-to-report-sars>

Client Identification Procedures

It would be impossible for CDC to identify all of the people with whom it has business dealings. However, it is important for CDC to identify individuals and organisations where there may be a higher risk of receiving the proceeds of crime. For example, where CDC:

- Forms an ongoing business relationship with an individual/business; or
- Undertakes a one-off transaction involving payment by or to the individual/business of approximately £10,000 or more; or
- Undertakes a series of linked one-off transactions involving total payment by or to the individual/business of £10,000 or more; or
- It is known or suspected that a one-off transaction (or a series of them) involves money laundering.

In the above circumstances, staff must obtain satisfactory evidence of the identity of the prospective customer/business prior to any relationship being entered into.

- In all matters, a risk based approach should be taken. If you are unsure of the evidence required advice can be sought from the Council's Corporate Fraud Investigation Team.

For individuals, appropriate identification documents would be an original current passport or driving licence with a photograph together with correspondence from a recognised government department or utility provider showing the individual's name and postal address and which is no more than three months old. ID Scanners can be used to validate any identification documents that are presented. Scanners are located in Bodicote House Customer Service Centre Reception.

For businesses, personal identification should be obtained for the representatives of the business together with proof of their authority to act on behalf of the business. In addition:

For companies, checks should be made with a reputable online source to confirm:

- That the company is trading and has a legitimate trading purpose;
- Who the company directors are;
- Who the company shareholders are;
- Who ultimately owns or controls more than 25% of the shares or voting rights; and
- Who otherwise exercises control over the management of the company.

For charities, a check should be made with the Charities Commission to:

- Check the charity is registered with the Charities Commission;
- Check the correspondence address;
- Check the identity of any signatories; and
- Verify the purpose of the charity and its address (if different from the correspondence address).

For partnerships or unincorporated businesses confirm:

- The name of the partnership or trading name;
- The registered address, if any;
- The trading address;
- The nature of business

For Local Authorities or Government agencies:

- Full name of the entity;
- Nature and status of the entity;
- Address of the entity;
- Name of the home state authority; and
- Name of the directors or equivalent.

For any other organisation, contact the MLRO to establish which checks should be carried out.

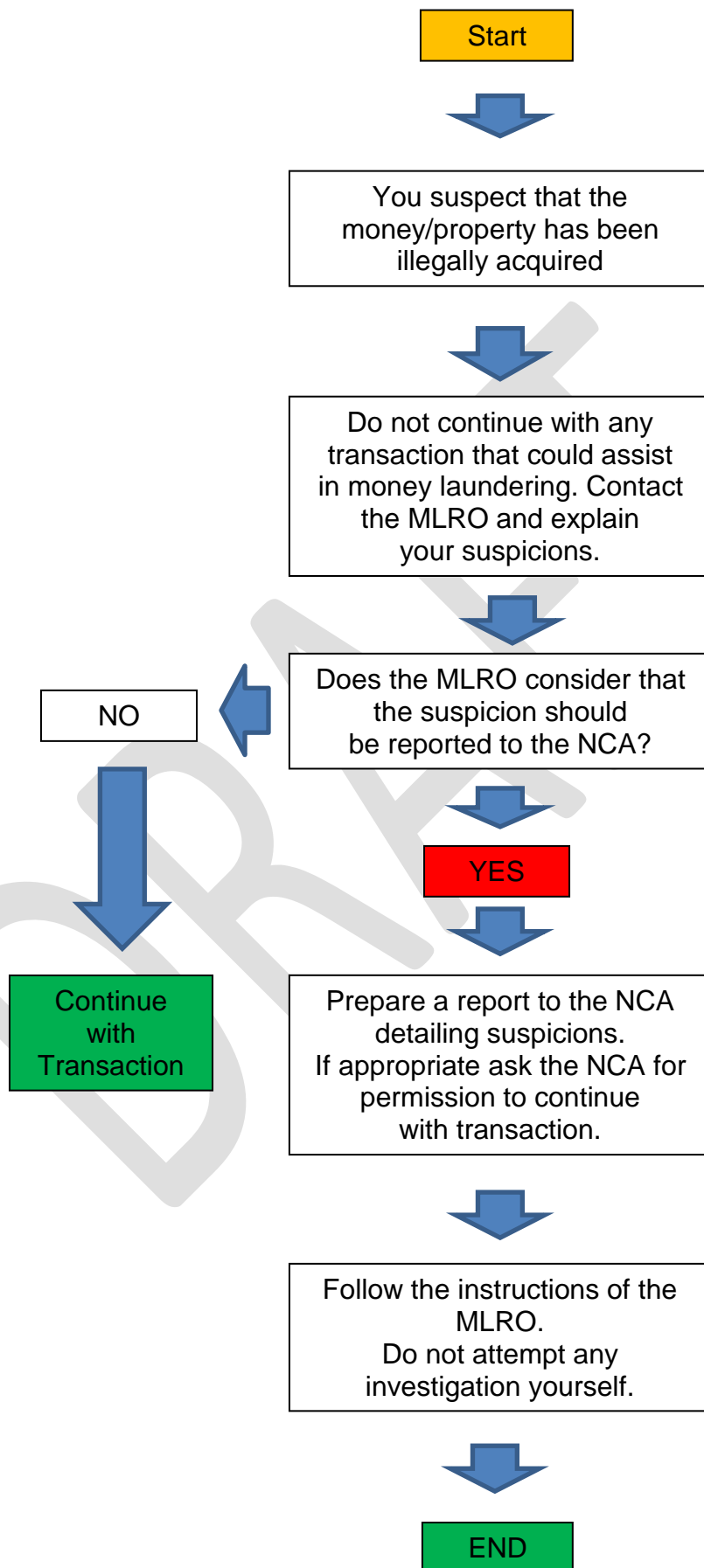
- The above circumstances, employees or contractors in the relevant service area of CDC must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction cannot proceed any further.

In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

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Appendix 2 –



Appendix 3

STRICTLY CONFIDENTIAL – To be shared with the MLRO only

Do not save a copy of this form on any database or client file

Report to Money Laundering Reporting Officer	
Staff Members name	
Title/Department	
Phone	
E Mail	
Details of Suspected Offence	
Names and addresses of the persons involved (if a company the nature of their business).	
Nature, value, timing of activity involved.	
Nature of suspicions regarding such activity.	
Has any investigation been undertaken? (as far as you are aware)	Yes/No Delete as necessary. (If yes further details)
Have you discussed your suspicions with anyone else?	Yes/No Delete as necessary. (If yes further details)
Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)	Yes/No Delete as necessary. (If yes further details)
Do you feel you have a reasonable excuse for not disclosing the matter to the NCA?	Yes/No Delete as necessary. (If yes further details)
Signed	
Dated	

For Completion by the MLRO	
Date received	
Date acknowledged	
Outcome of Consideration of Disclosure	
Are there reasonable grounds for suspecting money laundering?	Yes/No Delete as necessary. (If yes further details)
If there are reasonable grounds for suspicion, will a report be made to NCA?	Yes/No Delete as necessary.
Confirm date of report to NCA	
Details of liaison with the NCA regarding the report	
Is consent required from the NCA for any ongoing or imminent transactions, which would otherwise be prohibited acts?	Yes/No Delete as necessary. (If yes further details)
Date consent received from the NCA	
Date consent given by you to employee	
If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out reasonable excuse for non-disclosure	
Date given by you to employee for any prohibited act transactions to proceed	
Other relevant information	
Signed	
Dated	



CHERWELL DISTRICT COUNCIL

Anti-Fraud and Anti-Corruption Strategy.

1. INTRODUCTION

1.1 The Council is responsible for millions of pounds worth of taxpayer's money, ensuring it is spent in a way that best serves the people of Cherwell. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a zero-tolerance approach to fraud, corruption and theft.

1.2 The Director of Finance as the "Section 151 Officer" has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and has developed financial codes of practice and accounting instructions. The Director of Finance exercises a quality control on financial administration through delegation of responsibilities to the Assistant Director of Finance and the Finance Business Partners.

1.3 The Director of Law and Governance (Monitoring Officer) has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open and transparent manner.

1.4 Cherwell District Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:

- Undermine the standards of public service that the Council is attempting to achieve.
- Reduce the level of resources and services available for the residents of Cherwell.
- Result in consequences which reduce public confidence in the Council.

1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.

1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct, underpinned by its values and help achieve the Council's vision of thriving communities for everyone in Cherwell.

2. DEFINITIONS

2.1 FRAUD: Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if s/he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term "fraud" is usually used to describe depriving someone of something by deceit, which might

either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 CORRUPTION: Is the deliberate use of one's position for direct or indirect personal gain. "Corruption" covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.3 THEFT: Is the physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

2.4 MONEY LAUNDERING: Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Money Laundering Policy.

2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council's Money Laundering Reporting Officer (MLRO) is the Sect 151 Officer. To report any incidents contact the MLRO or the designated Deputy MLRO.

2.6 Legal Services also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Director of Law and Governance (Monitoring Officer) and the Money Laundering Reporting Officer.

2.7 BRIBERY: Prior to the Bribery Act 2010, bribery had been viewed within the definition of corruption, as defined within the Council's Anti-Fraud and Corruption Strategy. The Bribery Act 2010 introduces four main offences, simplified as the following:

- **Bribing another person:** a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.

- **Offences relating to being bribed:** a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.

- **Bribery of a foreign public official:** a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.

- **Failure of commercial organisations to prevent bribery:** organisations, which include the District Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

2.8 For more information on exactly what constitutes bribery and the Council's policy towards it, please refer to the Bribery Act Policy.

2.9 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption. For further information contact internalaudit@oxfordshire.gov.uk

3. SCOPE

3.1 This document applies to:

- All Cherwell District Council Employees (including Agents and Agency Staff) and Councillors
- Staff and Committee Members of Council funded voluntary organisations
- Partner organisations
- Council Suppliers, Contractors and Consultants
- General Public

4. AIMS AND OBJECTIVES

4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss.
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Cherwell District Council's residents and visitors.
- Create an "anti-fraud" culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers).
- To provide a best practice "counter-fraud" service which:
 - Proactively deters, prevents and detects fraud, corruption and theft.
 - Investigates suspected or detected fraud, corruption and theft.
 - Enables the Council to apply appropriate sanctions and recovery of losses.
 - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

5. PRINCIPLES

5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this policy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.

5.2 All fraudulent activity is unacceptable and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.

5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.

5.4 The Council will work with its partners (such as the Police, other Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
Director of Finance (Section 151 Officer)	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Counter Fraud Team to deliver “counter-fraud” work.
Director of Law and Governance (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Accounts, Audit and Risk Committee	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.

Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Internal Audit	To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Corporate Fraud Team	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and the investigation of any reported issues.
Strategic Directors, Directors, Deputy /Assistant Directors, Heads of Service and Service Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Corporate Fraud Team. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Corporate Fraud Team, Internal Audit or via the Raising Concerns at Work policy and Whistleblowing Procedures.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. APPROACH TO COUNTERING FRAUD

7.1 Cherwell District Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:

7.2 DETERRENCE: The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter fraud” work. This includes

dedicated fraud web pages, a fraud e-learning tool for all staff, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.

7.3 PREVENTION: The Council will strengthen measures to prevent fraud. The Corporate Fraud Team will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.

7.4 DETECTION: The Corporate Fraud Team maintains a case management log of all fraud referrals. The log helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity. Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

Managers should pay attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix C.

7.5 INVESTIGATION: The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.

7.6 SANCTIONS: The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.

7.7 REDRESS: A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued, where appropriate.

7.8 In addition to the above, The Corporate Fraud Team also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Audit & Governance Committee and Section 151 Officer.

8. REPORTING, ADVICE AND SUPPORT

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules and directorate Procedures.

8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Head of Service or Service Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Raising Concerns at Work, Grievances and Whistle-blowing policies.

8.3 The line manager, Service Manager or Deputy Director/Head of Service who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Director of Finance (Section 151 Officer)
- Director of Law and Governance (Monitoring Officer)
- Relevant Director
- Chief Internal Auditor
- Chief HR Officer
- HR Manager
- HR and Finance Business Partners

8.4 Where appropriate, the Director of Law and Governance (Monitoring Officer) should inform the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Finance, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.

8.5 The Investigating Officer will follow the Protocol for Investigating Irregularities (Appendix A), which includes the need to:

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary, e.g. Police (see appendix A, section f -Police Involvement)
- Notify the Council's insurers
- Implement Council disciplinary procedures where appropriate

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman
- External Audit – Relationship Manager
- National Fraud Initiative and related Audit Networks
- Central Government Departments

- HM Revenue and Customs
- UK Border Agency
- Department for Work and Pensions
- Police

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- Corporate Fraud Team – Tel 01865 252180
- Chief Internal Auditor – Tel: 07393 001 246
- Audit Manager and Counter-Fraud Lead – Tel: 07393 001 217
- Confidential e-mail: Corporatefraud@cherwellandsouthnorthants.gov.uk

8.8 Other Council means for raising concerns:

Chief Executive Officer	Write to
Director of Finance (Section 151 Officer)	Cherwell District Council, Bodicote House, Bodicote, Banbury, OX15 4AA
Director of Law and Governance (Monitoring Officer)	
Relevant Director	
Accounts, Audit and Risk Committee	

8.9 External means of raising concerns:

External Audit (Ernst & Young)	0118 928 1234
Citizens Advice Bureau Website:	www.citizensadvice.org.uk
Police Website:	www.thamesvalley.police.uk
Your Local Councillor Website:	Website: www.cherwell.gov.uk

8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities.
- Appendix B: The Council's Fraud Response Plan.
- Appendix C: Examples of Fraud Indicators.

9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents:

- The Constitution
- Codes of Conduct (Councillors and Officers)
- Whistle-Blowing Procedure
- Policy on Declaring and Registering Interests
- Financial Regulations
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA)

10. STRATEGY REVIEW

10.1 The Accounts, Audit and Risk Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Chief Internal Auditor

Date: July 2020

Review Date: July 2021

APPENDIX A

PROTOCOL FOR INVESTIGATING IRREGULARITIES

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Corporate Fraud Team/Internal Audit. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities.

When a referral or allegation is received, the Deputy Director/Head of Service or Service Manager will report the incident to the key contacts and officers detailed in section 8.3 above, as well as any other relevant contacts, to determine the course of action.

In some cases, an allegation may be of a routine or minor nature that can be dealt with by service management without the need for a formal investigation. If this is the outcome, a record of the decision and who made it must be kept to enable the course of action to be justified. Alternatively, if the matter is of a nature that requires immediate Police involvement, please refer to section f) below on reporting issues to the Police.

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Corporate Fraud Teams/Internal Audit responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft.

All investigations should be reported to Corporate Fraud Team/Internal Audit, who will conduct the investigation, ensuring action is initiated, effectively managed and it is brought to a proper conclusion.

b) The Investigation

The Corporate Fraud Team/Internal Audit should appoint a senior manager, independent of the activity, to head the investigation. The investigation team will take specialist professional advice and investigation skills from The Corporate Fraud Team, Internal Audit, the HR Business Partner and a legal adviser from Legal Services. The team will also have open access to service management to ensure all appropriate enquiries can be undertaken.

The Service Director should arrange for regular briefing meetings from the investigation team. The team will agree a plan for the investigation having regard to the initial evidence and/or allegation. The investigation plan should be kept under regular review. Investigation progress will be reported to the Deputy Director/Head of Service, Service Manager and other relevant officers on a regular basis, especially when any key decisions need to be taken.

c) Evidence

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees.

If it is necessary to interview employees, the Corporate Fraud Team/Internal Audit, Deputy Director/Head of Service or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in accordance with the relevant Council standards and procedures, with allowances for proper representation. Advice should also be obtained from Corporate Fraud Team/Internal Audit as to the overall approach in undertaking the interview.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, mobile phone, tablet, etc. When obtaining electronic evidence, the main issue is how to capture the evidence before it is changed. To do this, the equipment should be secured at the earliest opportunity to ensure evidence is not altered. This is a specialist activity and should be undertaken under the supervision of an IT specialist on which Corporate Fraud Team/Internal Audit can advise.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Chief Legal Officer (Monitoring Officer). It also must be authorised by a magistrate.

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.
- Criminal Procedures and Investigation Act 1996

Specialists trained in investigation and interviewing could be made available to the investigation team. The Corporate Fraud Team/Internal Audit, Legal Services and Trading Standards Officers might be able to assist if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. Advice on the best approach to referencing investigation files can be obtained from Corporate Fraud Team/Internal Audit.

d) Reporting

Once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation. Depending on the severity of the investigation outcome, the report may lead to a disciplinary hearing or Police referral.

The report should also detail any breakdown in management, operational or financial controls to the Deputy Director/Head of Service or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation team, in consultation with the Deputy Director/Head of Service or Service Manager, should make arrangements for the Chief Finance Officer, Chief Legal Officer (Monitoring Officer), Service Director, Chief Internal Auditor and Chief HR Officer to be informed of the investigation outcome. Other officers should be notified on a strictly confidential, need to know basis.

e) Disciplinary and Criminal Proceedings

Deputy Directors/Heads of Service and Service Managers will be expected to take action in accordance with the Council's Disciplinary and Capability Procedures, where the outcome of the investigation indicates improper behaviour.

If an investigation requires that an employee is suspended, this must be done in accordance with the Disciplinary Procedure. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Deputy Director/Head of Service or Service Manager should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to give written evidence and attend at hearings to give verbal evidence and answer questions.

Normally the line manager will make the complaint at the disciplinary hearing, but in exceptional circumstances and with the Deputy Director/Head of Service and HR's agreement, it may be made by a member of the investigation team.

Where there is a possibility of criminal proceedings, the investigation team should ensure that any relevant evidence is gathered and reported in such a way that it could be admissible in court. Corporate Fraud Team, Legal Services will advise on a case by case basis as appropriate.

f) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police by the Deputy Director/Head of Service or Service Manager. Approval to report the matter to the Police must be obtained from the Director of Finance, Service Director, Chief Legal Officer (Monitoring Officer) – Corporate Fraud Team/ Internal Audit will facilitate this. Advice should be sought from Corporate Fraud Team/Internal Audit on how the matter should be reported and who would be best placed to meet with the Police and discuss the details of the investigation. In the unlikely event that none of the above officers are immediately available, the Deputy Director/Head of Service and Service Manager must judge how quickly the matter should be reported to ensure any Police investigation is not affected.

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those by the in-house team. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court.

Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

Internal Audit plans a small contingency for anti-fraud work. The Chief Internal Auditor, in conjunction with the Director of Finance will determine whether the contingency should be used for undertaking work on a specific investigation. Where resources are not directly available through Internal Audit, any contribution may disrupt planned work so there may be an additional direct charge to the service concerned. If external specialist advice is required, this will only be after agreement both in terms of scope and cost, with the Deputy Director/Head of Service or Service Manager. Charges for Legal Services advice will be in accordance with the normal service agreements with departments.

h) Post Investigation

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures or employee training.

Any publicity arising from an investigation will be co-ordinated by the Council's Media Team. It is the responsibility of the Deputy director/Head of Service or Service Manager to ensure that the Head of Communications is informed of developments following completion of an investigation.

i) Training

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation.

To facilitate this, the Council has introduced a Fraud Awareness e-learning package that has been rolled out across the organisation and is encouraged to be included as part of

officer induction arrangements. The subject is also included as part of Councillor training. Corporate Fraud Team/Internal Audit also delivers anti-fraud awareness sessions as required, or as a result of their Internal Audit / internal control reviews.

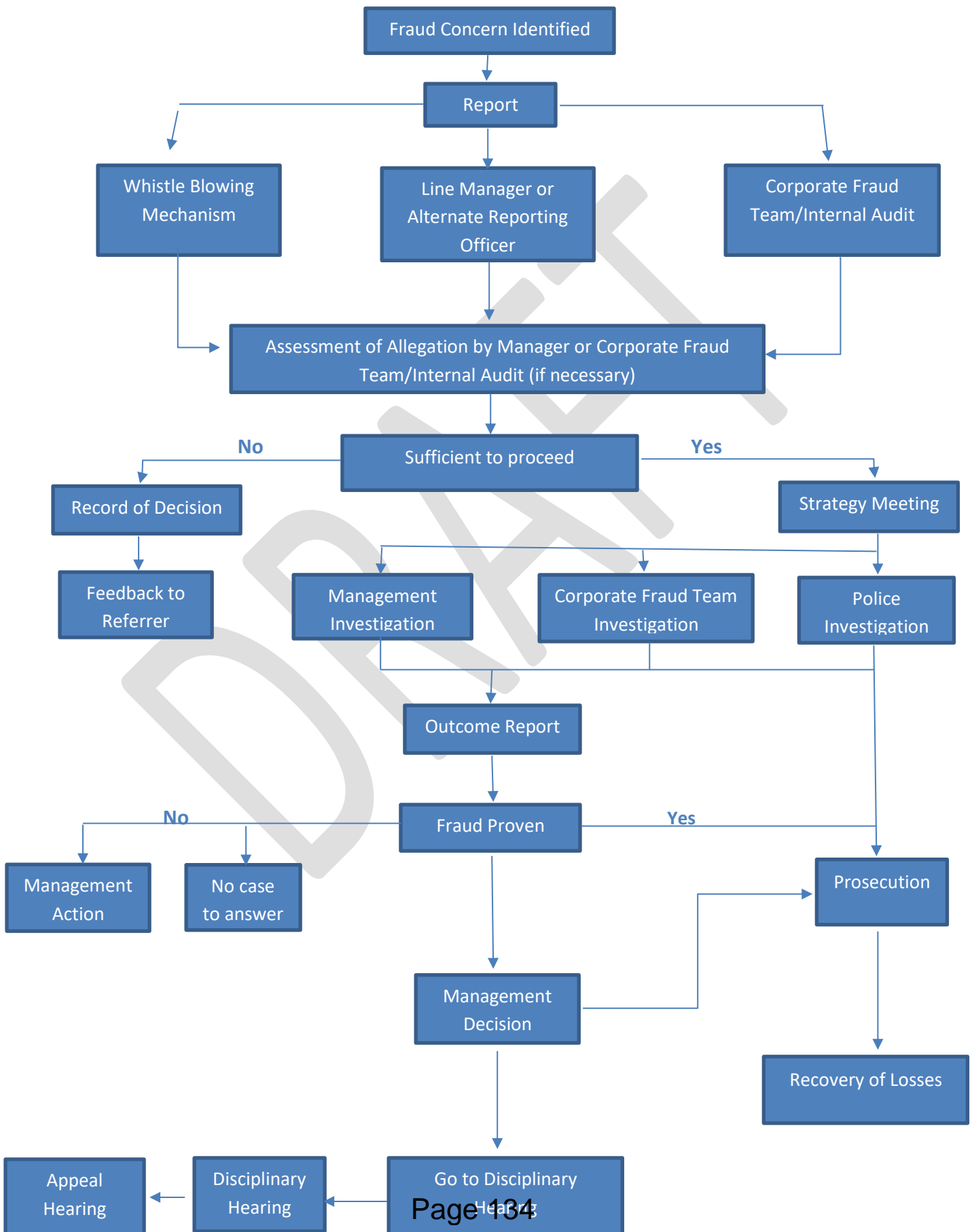
Investigation of fraud and corruption may require specialist training, not only for the Council's Corporate Fraud Team/Internal Audit Service, but also employees within Directorates. Directorate and Internal Audit staff training plans will reflect this requirement.

The Corporate Fraud Team/Internal Audit maintains a log of allegations and their status, including any recovery or sanctions applied. This is reported on a regular basis to the respective Directorate Leadership Team meetings, Audit Working Group and the Audit & Governance Committee.

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APPENDIX B

Fraud Response Plan



APPENDIX C

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.

- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practice

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Cherwell District Council

Accounts, Audit & Risk Committee

29 July 2020

2019/20 Treasury Management Annual Report

Report of the Director of Finance

This report is public

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 2019/20 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report in line with the Treasury Management Strategy.

2.0 Introduction

- 2.1 In 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.
- 2.2 The Council's treasury management strategy for 2019/20 was approved by full Council 25 February 2019. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 2.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 2.4 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.

The Council's 2018/19 Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 25 February 2019.

3.0 External Context – see Appendix 1

3.1 A detailed economic commentary and outlook provided by our Treasury advisers, Arlingclose, can be found at Appendix 1.

4.0 Local Context

4.1 On 31st March 2020, the Council had net borrowing of £119m (2019 £95.7m) arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below:

Table 1: Balance Sheet Summary

	31.3.20 Actual £m
General Fund CFR / Borrowing CFR	180.6
Less: Usable reserves	(26.2)
Less: Working capital	(35.4)
Net borrowing / (investments)	119.0

4.2 The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

4.3 The treasury management position as at 31st March 2020 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2019/20 Annualised Rate %
Long-term borrowing (PWLB)	(41.0)	(34.0)	(75.0)	1.88
Short-term borrowing (LA's)	(70.0)	4.0	(66.0)	1.23
Total borrowing	(111.0)	(30.0)	(141.0)	1.55
Long-term investments	0	0	0	0
Short-term investments	6.0	11.0	17.0	0.70
Cash and cash equivalents	9.3	(4.3)	5.0	0.66
Total investments	15.3	6.7	22.0	0.69
Net (borrowing) / investments	(95.7)	(23.3)	(119.0)	

Note: the figures in the table are principal amounts and do not include accrued interest, therefore differ from those shown in the statement of accounts.

5.0 Borrowing Activity

- 5.1 At 31st March 2020, the Council held £141m of loans as part of its strategy for funding previous and current years' capital programmes. The year-end borrowing position and the year-on-year change is shown in table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.20 Rate %	31.3.20 WAM* Years
PWLB (long-term)	41.0	34.0	75.0	1.76	11.1
Local authorities (short-term)	70.0	(4.0)	66.0	1.28	1.1
Total borrowing	111.0	30.0	141.0	1.54	6.5

*Weighted average maturity

- 5.2 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 5.3 In keeping with these objectives, new borrowing was kept to a minimum in 2019/20. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 5.4 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the Council's borrowing need based on realistic projections, it was decided to take a higher proportion of medium/longer-term fixed rate loans, to provide some certainty and stability to the debt portfolio.

6.0 Treasury Investment Activity

- 6.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Council's investment balance ranged between £11.7m and £62.5m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change is shown in table 4 below.

Table 4: Investment Position (Treasury Investments)

	31.3.18 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.19 Rate %
Banks & building societies	3.5	(2.5)	1.0	0.50
UK Government	3.0	(1.0)	2.0	0.05
Local Authorities	0	15.0	15.0	1.16
Money Market Funds	8.8	(4.8)	4.0	0.35
Total investments	15.3	6.7	22.0	0.88

- 6.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.3 As only a relatively low level of investment balances is held, and invested for shorter durations, the interest rates achieved are lower than could otherwise be expected. The type of investments during the year is constantly monitored and adjusted to reflect market conditions and cashflow requirements.

7.0 Financial Implications

- 7.1 The outturn for debt interest paid in 2019/20 was £1.84m on an average debt portfolio of £118.6m at an average interest rate of 1.55%, against a budgeted £2.51m debt interest payable.
- 7.2 The outturn for treasury investment income received in 2019/20 was £235k on an average credit portfolio of £34.1m at an average interest rate of 0.69%, against a budgeted £154k investment income receivable.

8.0 Non-Treasury Investments

- 8.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 8.2 These non-treasury investments are not financially motivated and contribute to the Council's service delivery and regeneration objectives.
- 8.3 However, they do generate additional investment income for the Council, at a higher rate of return of than earned on treasury investments, reflecting the longer term nature and/or additional risks to the Council of holding such investments.
- 8.4 As at 31 March 2020 the Council held the following non-treasury investments:

• Graven Hill equity	£27.9m
• Graven Hill loans	£44.6m (includes accrued interest)
• Crown House equity	£1.1m
• Crown House loans	£10.5m (includes accrued interest)
• Silverstone Heritage loan	£1.1m (includes accrued interest)
• Other external loans (total)	£0.2m

The total interest earned on the above loans in 2019/20 was £3.8m.

9.0 Performance Report

9.1 The Council measures the financial performance of its treasury management activities in terms of its impact on the revenue budget, as shown in table 5 below.

Table 5: Performance

	Actual £k	Budget £k	Over/ Under	Actual %	Budget %	Over/under %
Total debt interest payable	(1,840)	(2,514)	674	1.55	1.78	0.23
Total investment interest receivable	235	154	81	0.69	1.03	-0.34
GRAND TOTAL	(1,605)	(2,360)	755	n/a	n/a	n/a

10.0 Compliance Report

10.1 The Director of Finance is pleased to report that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

10.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	2019/20 Maximum £m	31.3.20 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied
Borrowing / Total debt	142	141	205	225	✓

10.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt did not exceed the operational boundary during 2019/20.

Table 7: Investment Limits

	2019/20 Maximum £m	31.3.20 Actual £m	2019/20 Limit £	Complied
Any single organisation, except the UK Central Government	5	3	5	✓
Any group of organisations under the same ownership	5	3	5	✓
Any group of pooled funds under the same management	5	2	5	✓
Negotiable instruments held in a broker's nominee account	0	0	3	✓
Foreign countries	0	0	5	✓
Registered Providers	0	0	10	✓

Unsecured investments with Building Societies	0	0	10	✓
Loans to unrated corporates	0	0	5	✓
Money Market Funds (total)	10	4.1	15	✓

11.0 Treasury Management Indicators

11.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

11.2 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of principal borrowed was:

	31.3.20 Actual	2019/20 Limit	Complied
Upper limit on fixed interest rate exposure	53%	100%	✓
Upper limit on variable interest rate exposure	47%	100%	✓

Fixed rate investments are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

11.3 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	47%	100%	0%	✓
12 months and within 24 months	0%	100%	0%	✓
24 months and within 5 years	15%	100%	0%	✓
5 years and within 10 years	20%	100%	0%	✓
10 years and above	18%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

11.4 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20 £m	2020/21 £m	2021/22 £m
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	5	5	5
Complied	✓	✓	✓

12.0 Conclusion and Reasons for Recommendations

- 12.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2019/20, including performance against budget and compliance with Indicators.

13.0 Alternative Options and Reasons for Rejection

- 13.1 This report illustrates the Council's Treasury performance for 2019/20 against budget and includes the Annual Treasury Report for 2019/20.
- 13.2 The following options have been identified. The approach in the recommendations is believed to be the best way forward:

Option One To review current performance levels, and consider any actions arising.

Option Two To approve or reject the recommendations above or request that Officers provide additional information.

14.0 Implications

Financial and Resource Implications

- 14.1 There are no specific financial effects arising directly from this report.

Comments checked by:

Dominic Oakeshott, Assistant Director - Finance (Interim)

Dominic.oakeshott@cherwell-dc.gov.uk 01295 227943

Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious Business

richard.hawtin@cherwell-dc.gov.uk 01295 221695

Risk management

- 14.3 There are no risk implications arising directly from any outcome of this report. All projects maintain their own risk registers and these are monitored corporately.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes

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15.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Tony Illott – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Arlingclose economic report
Background Papers	
None	
Report Author	Ian Robinson – Finance Business Partner
Contact Information	Direct Dial: 01295 221762 ian.robinson@cherwell-dc.gov.uk

Appendix 1 – Economic Commentary and outlook provided by Arlingclose (8/7/20)

External Context

Economic background: The UK's exit from the European Union took a back seat during the first quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.

Bank Rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June the Bank increased the asset purchase scheme by £100 billion, taking the recent round of QE to £300bn and total QE to £745 billion.

At the same time, the government also implemented a range of fiscal stimulus measures totalling over £300 billion which had been announced in March and designed to dampen the effect of the pandemic on the labour market.

GDP growth contracted by 2.2% in Q1 (Jan-Mar) 2020 pushing the annual growth rate down to -1.6%. The lockdown only came into force on 23rd March, and the markets are braced for a dire set of growth data for Q2. In April UK GDP fell 20.4% month-on-month. On the back of the 5.8% month-on-month fall in March, this means economic output fell by 25% compared to its pre-coronavirus peak in February 2020.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.2% y/y in May, further below the Bank of England's 2% target.

In the three months to June, labour market data remained largely unchanged on the previous quarter. This is likely due to the government's furlough scheme as more than a quarter of the UK workforce was estimated to be supported by it. The ILO unemployment rate remained unchanged at 3.9% while the employment rate fell to 76.4%. However, employers will have to contribute towards furlough payments from August and the scheme is due to stop at the end of October; unemployment is expected to rise as a result.

The US economy contracted at an annualised rate of 5.0% in Q1 2020. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% while the US government announced a \$2 trillion fiscal stimulus package. Relations between the US and China, which had briefly improved when Phase 1 of the trade agreement was signed in January, deteriorated over the quarter.

With little room to move on interest rates, the European Central Bank maintained interest rates at 0% and the rate on the deposit facility (which banks may use to make overnight deposits with the Eurosystem) at -0.5% and announced a further huge, open-ended commitment to buy €600bn of bonds under its Pandemic Emergency Purchase Programme (PEPP) which can be reinvested out to 2022. This lifted the ECB's total bond buying support package to €1.35trillion.

Financial markets: After selling off sharply in March, equity markets started recovering in April and while still down on their pre-crisis levels, the Dow Jones and FTSE 100 and 250 have made up around half of the losses. Measures implemented by central banks and governments continue to maintain some degree of general investor confidence, however volatility remains.

Ultra-low interest rates and the flight to quality continued to keep gilts yields low over the period with the yield on some short-dated government bonds turning negative. The 5-year UK benchmark gilt yield dropped from 0.18% at the beginning of April 2020 to -0.06% on 30th June. The 10-year benchmark gilt yield fell from 0.31% to 0.14% over the same period, and the 20-year from 0.69% to 0.52%. 1-month, 3-month and 12-month bid rates averaged 0.04%, 0.28% and 0.44% respectively over the quarter.

Over the quarter (April–June), the yield on 2-year US treasuries fell from 0.24% to 0.20% while that on yield on 10-year treasuries fell from 0.63% to 0.61%. German bund yields remain negative.

Credit review: After rising sharply in late March, credit default swap spreads slowly eased over the quarter

but remained above their pre-crisis levels.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and also non-UK banks from early April onwards. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as downgrading Close Brothers' long-term rating to A-. Network Rail Infrastructure and LCR Finance's long-term ratings were downgraded from AA to AA-. HSBC Bank and HSBC UK Bank were the exceptions however, with Fitch upgrading their long-term ratings to AA-.

Fitch affirmed the ratings of Canadian banks but revised their outlook to negative. The agency also downgraded the long- and short-term ratings of Australia's four largest banking groups. It upgraded the long-term deposit rating of both Bayerische Landesbank and Landesbank Baden-Wuerttemberg (LBBW) but downgraded the viability ratings, and revised outlooks to negative. Fitch later placed three Singapore banks on Rating Watch Negative.

S&P also took action on a range of UK and European banks, affirming their ratings but revising their outlook downwards due to the economic consequences of COVID-19. Moody's downgraded the long-term rating of Nationwide BS from Aa3 to A1 and S&P downgraded the long- and short-term ratings of HSBC Bank PLC and HSBC UK Bank PLC to A+ and A-1 respectively

In May, Fitch and S&P downgraded TfL's long-term rating to A+ from AA- after the 95% reduction in tube and train fares which make up 47% of TfL's revenue. However, the UK government agreed to a £1.6 billion support package which will help ease some of the stress TfL faces.

As the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus epidemic remains uncertain but is expected to be substantial, in early June following Arlingclose's stress testing of the institutions on the counterparty list using bail-in analysis, a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits. Although much better capitalised than before the 2007-09 financial crisis, under the current economic circumstances these entities were suspended for reasons of prudence. For those remaining on the list, the duration advice remains up to 35 days.

Outlook for the remainder of 2020/21

The medium-term global economic outlook is very weak. While containment measures taken by national governments in response to coronavirus are being eased, it is likely to be some time before demand recovers to pre-crisis levels due to rises in unemployment, the on-going need for virus control measures and the impact on consumer/business confidence.

The responses from the Bank of England, HM Treasury as well as other central banks and governments have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many businesses solvent/employees employed than would otherwise have been the case. There will be an economic bounce in the second half of the year, as businesses currently dormant begin production/supply services once more.

However, the scale of the economic shock to demand and the probable on-going social distancing measures necessary before a vaccine is produced will mean that the subsequent pace of recovery is limited.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the near future through further financial asset purchases (QE). While the Arlingclose central case for Bank Rate is no change, further cuts to Bank Rate to zero or even into negative territory cannot be ruled out.

Downside risks remain in the near term, as households and businesses react to an unprecedented set of economic circumstances.

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Official Bank Rate												
Upside risk	0.00	0.00	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35

Gilt yields are expected to remain very low in the medium term. Some shorter-term gilt yields will remain around zero until either the Bank expressly rules out negative Bank Rate or growth prospects improve.

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Accounts, Audit and Risk Committee Work Programme 2020/21

Date	Agenda Items
August 2020	Draft Statement of Accounts Workshop
23 September 2020	Internal Audit 2020/21 Progress Report Statement of Accounts 2019/20 - Progress Update External Audit Update Treasury Management - Quarter 1 Update Work Programme Update Counter Fraud 2020/21 Progress Report
18 November 2020	Performance, Finance and Risk Monitoring Report - Q2 - September 2019 Report of Those Charged with Governance 2019/20 External Audit - Annual Audit Opinion 2019/20 Final Statement of Accounts and Letter of Representation 2019/20 Treasury Management Q2 Corporate Fraud Q1 Work Programme
20 January 2021	Internal Audit 2020/21 Progress Report Draft Treasury Management Strategies 2021/22 Work Programme Update Counter Fraud 2020/21 Progress Report
17 March 2021	Performance, Finance and Risk Monitoring Report - Q3 - January 2021 Housing Benefit Subsidy Audit Housing Benefit Risk Based Verification Policy Internal Audit 2020/21 Progress Update External Audit Update Treasury Management Q3 Update Work Programme Update

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