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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee:	Accounts, Audit and Risk Committee
Date:	Wednesday 25 May 2022
Time:	6.30 pm
Venue:	Bodicote House, Bodicote, Banbury, Oxon OX15 4AA
Membership	Membership will be confirmed at the Annual Council Meeting on 18 May 2022

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 5 - 10)

To confirm as a correct record the Minutes of the meeting of the Committee held on 16 March and of the meeting of the Committee held on 18 May 2022 (to follow).

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. 2021/22 Accounting Policies (Pages 11 - 38)

Report of the Assistant Director of Finance (S151 Officer)

Purpose of report

To ask the Committee to review and approve the Accounting Policies for inclusion in the 2021/22 Statement of Accounts.

Recommendations

The meeting is recommended:

- 1.1 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 1).

8. Annual Governance Statement 2021/22 (Pages 39 - 64)

Report of Interim Monitoring Officer

Purpose of report

To inform the Committee on the Annual Governance Review process and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2021/22

Recommendations

The meeting is recommended:

- 1.1 to approve the Annual Governance Statement 2021/22, subject to the Monitoring Officer making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, the Chief Executive and the Section 151 officer.
- 1.2 authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

9. Local Code of Corporate Governance (Pages 65 - 80)

Report of Interim Monitoring Officer

Purpose of report

To provide an opportunity for the review of the Local Code of Corporate Governance

Recommendations

The meeting is recommended:

- 1.1 To approve the Local Code of Corporate Governance (Appendix 1).

10. Annual Report of the Chief Internal Auditor 2021/22 (Pages 81 - 102)

Report of the Chief Internal Auditor

Purpose of report

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2021/22, and providing an opinion on the Council's System of Internal Control.

Recommendations

The meeting is recommended to:

- 1.1 Consider and endorse this annual report.

11. Internal Audit Strategy and Plan 2022/23 (Pages 103 - 116)

Report of the Assistant Director of Finance

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2022/23.

Recommendations

The meeting is recommended:

- 1.1 To note and comment on the Internal Audit Strategy and Plan for 2022/23.

12. Work Programme (Pages 117 - 118)

To consider and review the Work Programme.

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

Information about this Meeting

Apologies for Absence

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

Declarations of Interest

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

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

Supplementary Estimates

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

Evacuation Procedure

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

Access to Meetings

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

Mobile Phones

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

Queries Regarding this Agenda

Please contact Sharon Hickson, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221554

Yvonne Rees
Chief Executive

Published on Tuesday 17 May 2022

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, Oxon OX15 4AA, on 16 March 2022 at 6.30 pm

Present:

Councillor Mike Kerford-Byrnes (Chairman)
Councillor Hugo Brown (Vice-Chairman)
Councillor Andrew Beere
Councillor Nicholas Mawer
Councillor Adam Nell
Councillor Tom Wallis
Councillor Sean Woodcock

Also Present: (virtually)

Councillor Barry Wood, Leader of the Council
Sue Gill, Ernst & Young (external audit)

Apologies for absence:

Councillor Conrad Copeland

Officers:

Michael Furness, Assistant Director of Finance & S151 Officer
Anita Bradley, Director Law and Governance & Monitoring Officer
Sarah Cox, Chief Internal Auditor
Joanne Kaye, Strategic Business Partner
Kerry MacDermott, Interim Assistant Director for Revenues and Benefits Services
Louise Tustian, Head of Insight and Corporate Programmes
Tessa Clayton, Audit Manager
Celia Prado-Teeling, Assistant Director - Customer Focus (Interim)
Jacey Scott, Interim Revenues and Benefits Manager
Sharon Hickson, Democratic and Elections Officer

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Declarations of Interest

13. Final 2020/21 Audit Results Report.

Councillor Andrew Beere, Non Statutory Interest, as a member of Banbury Town Council.

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

There were no petitions or requests to address the meeting.

62 **Minutes**

The Minutes of the meeting of the Committee held on 19 January 2022 were agreed as a correct record and signed by the Chairman.

63 **Chairman's Announcements**

There were no chairman's announcements.

64 **Urgent Business**

There were no items of urgent business.

65 **Monthly Performance, Risk and Finance Monitoring Report**

The Director of Finance and Head of Insight and Corporate Programmes submitted a report summarising the Council's Performance, Risk and Finance monitoring positions as at the end of January 2022.

In introducing the report, the Assistant Director of Finance explained that in relation to the Re-profile beyond 2021/22 within Commercial Development, Assets & Investments, the narrative for Bodicote House Fire Compliance is incorrect and should read "The scope is being reviewed to ascertain actual requirements. The delay is also linked to prioritisation of the delivery of the Public Sector Decarbonisation Scheme works". The commentary was correct.

Resolved

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

66 **Housing Benefit and Council Tax Reduction Risk Based Verification**

The Interim Assistant Director-Revenues and Benefits submitted a report that provided members with details of the Risk Based Verification (RBV) policy and sought approval for the RBV Policy for 2022-2023.

Resolved

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

- (2) That having given due consideration, the Risk Based Verification Policy for the financial year 2022-2023 be approved.

67 **Update on Counter Fraud Annual Plan 2021/22**

The Assistant Director of Finance submitted a report which summarised the activity against the Annual Plan for the Counter-Fraud service at Cherwell District Council for 2021/22.

Resolved

- (1) That the summary of activity against the Annual Counter Fraud Plan for 2021/22 be noted.

68 **General Data Protection Regulation Audit 2021 update**

The Director of Law and Governance submitted a report which set out the current position of the Council with regard to the actions resulting from the General Data Protection Regulation audit in July 2021.

In response to the Committee's question regarding Member's use of personal equipment for Council work, the Director of Law and Governance advised that she would confirm if this was covered in the Information Security Management Policy or included within the ICT policy. The Director of Law and Governance would also advise confirm if Members using personal equipment were exempt from paying an individual Data Protection Controller Fee.

In response to Members' questions regarding data breaches as a result of hacking and if the Council maintained cyber insurance against such risk, the Assistant Director of Finance Director undertook to confirm to the Committee what provision the current policy gives regarding Cyber Insurance.

The Committee requested that a written update of the results of the March Governance Board be forwarded to the Chairman of the Account Audit and Risk Committee to circulate to committee members.

Resolved

- (1) That the General Data Protection Regulation Audit 2021 report be noted.

69 **Draft Annual Report of Accounts, Audit and Risk Committee**

The Assistant Director of Finance submitted a report which presented the draft report of the Annual Accounts, Audit & Risk Committee for 2021/22.

The Assistant Director of Finance advised Members that the current Terms of Reference for the Committee required Members and any substitute attending a meeting to have received training before attending. It was proposed that the

training required be removed for substitutes to facilitate their attendance, particularly if asked to substitute at short notice.

The Committee proposed no further changes or amendments to the report and endorsed it and the amendment to the Terms of Reference for submission to Council.

Resolved

- (1) That, having given due consideration, it be agreed that the Annual Report of Accounts, Audit and Risk Committee report be presented to Council.
- (2) That Full Council be recommended to agree a change of the Accounts, Audit and Risk Committee Terms of Reference to remove the mandatory training requirement for appointed substitutes attending a meeting of the Committee

70 **Treasury Management Report - Q3 2021-22**

The Director of Finance submitted a report which provided information on treasury management performance and compliance with treasury management policy for 2021-22 as required by the Treasury Management Code of Practice.

In introducing the report, the Strategic Finance Business Partner advised the Committee of two amendments to the report. In relation to the borrowing position the interest payable for the full year was forecast to be £203k under budget (positive variance). In relation to investment performance for the 9 months ending 31 December 2021, the interest receivable for the full year was forecast to be £58k below budget (adverse variance).

Resolved

- (1) That the contents of the Quarter 3 2021-22 Treasury Management Report be noted.

71 **Final 2020/21 Audit Results Report**

The Assistant Director of Finance submitted a report which presented the final 2020/21 Audit Results.

In presenting the report, the Strategic Finance Business Partner highlighted that the 2020/21 external audit results report contained an unqualified opinion and the accounts had been signed off on Monday 14 March 2022.

Ernst and Young, the council's external auditor, thanked the Finance team for the hard work provided during this audit

Resolved

- (1) That the final 2020/21 Audit Results Report be noted.

72 **Work Programme**

The Committee considered its work programme and proposed committee training schedule. The Assistant Finance Director highlighted one addition to the May meeting the "Local Code of Corporate Governance".

Resolved

- (1) That, subject to the addition of the Local Code of Corporate Governance to the May meeting, the work programme be noted.

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

Councillor Kerford-Byrnes addressed the meeting explaining that this was the last meeting of the Committee he would be attending as he was standing down as a councillor. Councillor Kerford-Byrnes thanked all Committee members past and present for their support over the past eleven years.

Councillor Kerford-Byrnes also thanked all officers and the external auditor that worked with the committee for their continuing support and commitment.

Members responded to Councillor Kerford-Byrnes and thanked him for his time and commitment as Chairman of the committee.

The meeting ended at 7.55 pm

Chairman:

Date:

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Cherwell District Council

Accounts, Audit and Risk Committee

25 May 2022

2021/22 Accounting Policies

Report of the Assistant Director of Finance (S151 Officer)

This report is a public report

Purpose of report

To ask the Committee to review and approve the Accounting Policies for inclusion in the 2021/22 Statement of Accounts.

1.0 Recommendations

The meeting is recommended:

- 1.1 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 1).

2.0 Introduction

- 2.1 All local authorities must produce a statement of accounts annually to help ensure that there is appropriate stewardship of public finances. Statements of accounts are produced according to accounting standards to ensure that they are produced on a consistent standard and are comparable with other statements of accounts. Local Authority statements of accounts are produced by following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code occasionally overrides accounting standards where statute takes precedence over accounting standards.

3.0 Report Details

- 3.1 The Accounts, Audit and Risk Committee are required to approve the Accounting Policies for inclusion in the draft statement of accounts. The draft statement of accounts for 2021/22 must be published by 30 July 2022. Officers expect to publish to the Council's website a draft of the statement of accounts by the end of June. The draft accounts will then be presented to the next meeting of the Committee in July 2022.

- 3.2 The notes to the accounts provide supporting information and additional detail for the main financial statements. Note 1 sets out the Council's Accounting Policies (Appendix 1). The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules, and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting.
- 3.3 The code states that The Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2021/22 Accounting Policies, as set out in Appendix 1, have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.
- 3.4 There have been no material changes to the accounting policies for 2021/22.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Accounts, Audit and Risk Committee is invited to review and ratify the Accounting Policies for 2021/22.

5.0 Implications

Financial and Resource Implications

- 5.1 There are no financial implications as a result of this report.

Comments checked by: Lynsey Parkinson, Finance Business Partner - Corporate, 01295 221739, Lynsey.Parkinson@cherwell-dc.gov.uk

Legal Implications

- 5.2 The accounting policies in this report have been approved by the Council's Chief Financial Officer (Assistant Director of Finance). Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for those arrangements.

Comments checked by: Helen Lolas, Team Leader and Solicitor, Tel: 07801 400 941, Email: Helen.Lolas@cherwell-dc.gov.uk

Risk Implications

- 5.3 There are no risk management implications arising directly from this report

Comments checked by: Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556, Celia.Prado-Teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

5.4 There are equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus
01295 221556, Celia.Prado-Teeling@cherwell-dc.gov.uk

6.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

N/A

Document Information

Appendix number and title

- 1 – Accounting Policies 2021/22

Background papers

None

Report Author and contact details

Joanne Kaye, Strategic Finance Business Partner
Joanne.kaye@cherwell-dc.gov.uk 01295 221545

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Note 1 – Accounting Policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.1 Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the District Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The District Council has carried out a detailed assessment of the continuing impact of the COVID-19 pandemic and other economic pressures on its financial position and performance during 2022/23 as part of the budget setting process. This included consideration of the following:

- Loss of income on a service-by-service basis during the recovery phase, for example on car parking income..
- Additional expenditure on a service-by-service basis, e.g., extra inflationary pressures.
- The impact on the District Council's capital programme, e.g., delays caused by government restrictions, and whether there is a need to rephase work for other reasons e.g., supply chain challenges.
- The impact of all of the above on the District Council's cash flow and treasury management, including availability of liquid cash (as at 30 April 2022 the Council had £10.1m instant access deposits), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the District Council's General Fund

As set out in the 2022/23 Budget and Medium-Term Financial Strategy up to 2026/27 approved by Council in February 2022, the Council has set aside a contingency to cover potential Covid-19 costs and losses of income of £1.1m. In addition, £1.6m has

been set aside in an earmarked Covid-19 reserve to meet unidentified costs associated with the pandemic. The Council also set a contingency budget for continued inflationary pressures throughout the medium term.

At its meeting on 7 February 2022, the Council agreed to terminate the S113 Partnership Arrangement with Oxfordshire County Council. This began a 6-month period to agree how the Councils would separate and/or which services would continue to be provided in a joint arrangement. The Council recognised that there may be some additional costs associated with this and set aside a contingency budget of £0.4m. It is envisaged that planned savings will still be deliverable, but to the extent that ongoing costs are identified as part of the separation, these will be addressed as part of the 2023/24 budget process.

The Council's Medium-Term Financial Strategy identifies that the Council needs to identify savings of £5.5m in 2023/24. This is primarily due to a forecast loss of resources from an anticipated business rates reset and phasing out of the New Homes Bonus Grant.

The Council's Medium-Term Financial Strategy to address this gap is:

- Continue its partnering arrangements in the future including:
 - a) joint contracting and commissioning arrangements
 - b) continuing the journey to transform the way in which the Council delivers with other partners
- Overarching review of the Council's resources and priorities in order to maximise delivery against these. This will require savings proposals to be identified that focus on those areas that are of a lower priority to the Council.
- Begin targeted strategic delivery reviews across the council, taking into account the changing needs of the residents of Cherwell and the financial resources available to the Council. This, in combination with the review of priorities will ensure future service provision is focussed on the delivery of the Council's priorities.
- Considering further approaches to maximise the levels of income the Council can generate to support frontline services.
- "Growing our way" out of trouble by identifying opportunities with the right business cases
- Continuing to lobby policy makers, highlighting where we have been delivering growth and driving benefits to others

Whilst identifying £5.5m savings in 2023/24 will be a challenge, the Council has demonstrated that it is capable of identifying and delivering significant savings in recent years, following the revised budget introduced in 2020/21, the £4.3m savings identified in the 2021/22 budget and the £2.9m savings identified in the 2022/23 budget. Executive will receive monthly updates on the financial position throughout 2022/23, including progress against savings delivery. Progress against savings

delivery is managed by the Budget Oversight Group and senior management.

In setting the 2022/23 budget, the Council has determined that £6m of general balances is a prudent level in order to manage identified risks. A further £22m of other earmarked reserves could also be made available if absolutely necessary. The Council continues to review its reserves position regularly as per its Reserves Policy.

The Council's cashflow forecast to the end of March 2023 demonstrates that the Council has access to sufficient cash over the medium term to support planned Council and Group activities. This assumes maximum planned borrowing of £201m in the period and includes flexibility for additional borrowing of up to £109m should income be less than forecast or expenditure more than forecast in the period.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of economic pressures in the short to medium-term. Furthermore, the CIPFA Code of Practice on Local Authority Accounting in England requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- An exception to this policy is housing benefit transactions which are accounted for on a cash basis, that is, when the payment is made.
- Interest receivable on investments is accounted for respectively as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the

balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- The de minimis level for manual accruals has been maintained at £20,000, which is reviewed annually. This removes small transactions at the end of the financial year that do not materially affect the accounts. Purchase orders raised automatically through the financial information system are processed with no de minimis level.
- For business rates, the levy or safety net payments owed to or from Central Government for the financial year are reported in the year they relate to on an accruals basis. Cherwell is the lead authority for the North Oxfordshire Pool and has accounted for the amounts owing to the Pool for levy payments and owed to the other pool members for the gain from the pool on an accruals basis.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Changes in accounting policy no longer need to be material to result in a Prior Period Adjustment.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Accounting policies that relate to statutory accounting requirements are accounted for in the same manner as other accounting policies.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Collection Fund Income and Expenditure Account

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Rates.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Cherwell District Council, the Council Tax precepting bodies are Oxfordshire County Council and Police and Crime Commissioner. For Cherwell District Council, the NDR precepting bodies are Central Government (50% share) Cherwell District Council (40% share) and Oxfordshire County Council (10% share).

Cherwell District Council participates in a Business Rates pool with Oxfordshire County Council and West Oxfordshire District Council to minimise the levy payment due on growth in NDR income and thereby maximise the retention of locally generated business rates.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the

amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments, and provision for appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income Expenditure Statement or CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

The Council has no Exceptional Items in 2021/22.

1.2 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave - e.g., time off in lieu, flex-leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefit

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount

calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Oxfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefit scheme.

The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with International Accounting Standard (IAS) 19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 36. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

The liabilities of the Oxfordshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings of current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond. The discount rates are based on the annualised yield on the iBoxx over 15-year AA rated corporate bond index.

The iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile.

The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs

- Net interest on the net defined benefit liability (asset) i.e., net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension’s liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Oxfordshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The fair values of loans are estimated as the price the lender would receive to sell the loans to another market participant on 31st March 2021, based on observed market rates for similar transactions.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc.) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

The Council has available for sale financial assets in the form of, for example, Certificates of Deposit. Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

Where the Council has entered a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments;
and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets—measurement and valuation

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. These items are reported in the Balance Sheet

at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

There is an annual programme of valuations and items are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate insurance values and commercial markets using the most relevant and recent information from sales at auctions.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g., software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in 2021/22:

- Graven Hill Village Holding Company Limited
- Graven Hill Village Development Company Limited
- Graven Hill Village Management Company Block E Limited
- Crown House Banbury Limited
- Crown Apartments Banbury Limited

Group Accounts have been prepared in accordance with paragraph 9.1.2.60 of the Code of Practice on Local Authority Accounting 2021/22, using uniform accounting policies for like transactions and other events in similar circumstances.

Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for by charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. The council's portfolio of investment property includes Castle Quay Shopping Centre and Tramway Industrial Estate alongside other commercial and industrial units across the district.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.

- Its expenses, including its share of any expenses incurred jointly.

As of the 1 April 2021, the council shared CSN Resources Ltd and CSN Associates with West Northamptonshire Council but did not have overall control; it was therefore party to a joint operation. However, on 19 November 2021 CSN Resources went into voluntary liquidation and ceased trading. CSN Associates was dissolved on 30 November 2021 having never traded. As a result, neither company will be consolidated into the Council's Group Accounts in 2021/22.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.3 The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

1.4 The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets and non-current assets held for sale shall be measured at highest and best use.

Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £10,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit are charged to revenue.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £5,000 de minimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant and equipment are held at depreciated historical cost.
- Infrastructure, community assets and assets under construction are held at historical cost.
- Dwellings – Current value, determined using the basis of Existing Use Value for Social Housing (EUV–SH).
- Other land and buildings and operational assets where there is an active market – Current value determined as the amount that would be paid for the asset in its existing use (EUV).
- Operational assets, such as community and sports centres, where there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e., EUV cannot be determined)- depreciated replacement cost using the ‘instant build’ approach as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at

the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The council's property valuations are carried out by Montagu Evans and Colliers. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer and/or Responsible Officer for that asset; and
- Infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

Newly acquired assets and capital enhancements are depreciated from the year after acquisition.

Useful life of an asset is shown below for the relevant categories:

- | | |
|--------------------------------|------------------|
| • Infrastructure | 10 to 40 years |
| • Buildings | 10 to 60 years |
| • Vehicles | 5, 6 or 7 years |
| • Computer Equipment / systems | 3, 5 or 10 years |
| • Other | 3 to 30 years |

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All assets with a gross value over £50,000 are considered for componentisation.

If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised, and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

The following two components have been identified for items of property:

- Land
- Structure of Building

Each component is considered to depreciate on a straight-line basis. The useful life of a component will vary according to the type of property in which it is located and the amount of use to which it is put. The useful life of a component will be determined by the valuer when a component part is identified.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected at the cost or new carrying value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses recognised previously in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale and are kept under their original category.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal).

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The net book value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital

financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets, investment properties, assets held for sale and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

1.5 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves

Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept managing the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The amount of VAT irrecoverable is negligible.

Rounding

In preparing the Statement of Accounts all numbers, including totals, have been rounded independently to avoid unacceptable rounding errors. This may mean that some tables do not cross cast.

Cherwell District Council

Accounts, Audit and Risk Committee

25 May 2022

Annual Governance Statement 2021/22

Report of Interim Monitoring Officer

This report is public

Purpose of report

To inform the Committee on the Annual Governance Review process and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2021/22

1.0 Recommendations

The meeting is recommended:

- 1.1 to approve the Annual Governance Statement 2021/22, subject to the Monitoring Officer making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, the Chief Executive and the Section 151 officer.
- 1.2 authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

2.0 Introduction

- 2.1 Local authorities are required to prepare an Annual Governance Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.
- 2.2 At Cherwell District Council, the Accounts, Audit & Risk Committee has the responsibility of approving the Council's Annual Governance Statement (AGS) each year.

3.0 Report Details

Format of the Annual Governance Statement

- 3.1 The format of the Annual Governance Statement (AGS) reflects the good practice guidance from CIPFA, including their new guidance arising from the coronavirus outbreak. The AGS includes:
- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
 - A review of the *effectiveness* of the Council's governance arrangements
 - A *conclusion* in relation to the effectiveness
 - A review of the *action plan* from last year's statement
 - An *action plan for 2022/23*
 - An *annex* summarising our governance framework
- 3.2 The AGS has been prepared by the Council's Corporate Governance Assurance Group (CCAG). This is a group of key governance officers, including the Section 151 Officer, the Monitoring Officer and is responsible for monitoring the Council's governance arrangements during the year.
- 3.3 In preparing the AGS, CCAG had regards to a set of thematic corporate lead statements. These corporate lead statements are produced by service leads and describe the governance in place during 2021/22 and highlight areas of focus for 2022/23. CCAG then monitors these throughout the year.
- 3.4 This year CGAG developed a Governance Questionnaire which was circulated to the Council's Extended Leadership Team (ELT). Each ELT member was asked to assess the governance in their area and identify issues of concern and any actions in place.
- 3.5 The Council's Corporate Directors' have been asked to reflect on their own view of the governance within their services during 2021/2022, whilst also having regard to the outcome of ELT's assessment and detail contained in the corporate lead statements, when completing their own Certificates of Assurance.
- 3.6 This AGS is therefore a distillation of several factors. The action plan for 2022/23 highlights certain aspects of governance which the Assurance Group consider requires a particular level of focus this year which might not otherwise be apparent from work regularly reported to the Committee. As such, progress reports on these actions will be reported to the Committee through the year. The AGS is therefore a means of giving the Committee, and the public, visibility on those additional areas.
- 3.7 Other governance and audit activity across the Council will be reported to this Committee through the normal work programmes.

Annual Governance Statement "Opinion"

- 3.8 Based on the position outlined in the AGS, the 'Opinion' expressed in the AGS is:

"It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, and the

decoupling of the Cherwell/Oxfordshire partnership, the Council's governance in dealing with both, and our ability to maintain sound governance throughout, has been effective.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Local authorities are required to prepare an Annual Governance Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.

5.0 Consultation

Extended Leadership Team and Corporate Directors as set out in section 3 of this report

6.0 Alternative Options and Reasons for Rejection

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

Option 1: Not to agree the Annual Governance Statement. This is not recommended as the Council is required to produce an Annual Governance Statement as set out in the Accents and Audit Regulations 2015. The Constitution sets out that responsibility for considering and agreeing the Annual Governance Statement rests with the Accounts, Audit & Risk Committee.

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 of Finance, 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement, prepared to fulfil this requirement, should form part of the Council's Statement of Accounts. The report is therefore coming to the Committee to meet

this purpose and that timescale. A version of the AGS therefore needs to be approved at this meeting.

- 7.3 The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance (*Delivering Good Governance in Local Government: Framework (2016)*) fulfils this requirement. I confirm that the Statement put forward with this report is compliant with that guidance/framework and with the updated guidance issues by CIPFA to address the coronavirus outbreak.

Comments checked by:

Shahin Ismail, Assistant Director Law, Governance & Democratic Services & Monitoring Officer, Shahin.ismail@cherwell-dc.gov.uk

Risk Implications

- 7.3 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.Prado-Teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.Prado-Teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

N/A – report submitted pursuant to a statutory requirement

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – Annual Governance Statement 2021/2022

Background papers

List any non-published documents

Report Authors and contact details

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Annual Governance Statement 2021/22

INTRODUCTION

1. This is Cherwell District Council's Annual Governance Statement for 2021/22. It provides:

- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
- A review of the *effectiveness* of the Council's governance arrangements during 2021/22;
- A *conclusion* in relation to the effectiveness
- A review of the *action plan* completed in 2021/22
- An *action plan* for 2022/23
- An *annex* summarising our governance framework

The Annual Governance Statement is required by law¹ and follows the best practice guidance from the Chartered Institute of Public Finance and Accounting (CIPFA). This year, as in the previous year, the Statement also highlights the governance issues posed by the continuing COVID-19 pandemic.

STATEMENT OF OPINION

2. It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

SIGNATURES

Signed on behalf of Cherwell District Council:

.....	Date	Date
Yvonne Rees		Cllr Barry Wood	
Chief Executive		Leader of the Council	

¹ Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015

REVIEWING OUR EFFECTIVENESS DURING 2021/22

This review looks at:

- Effectiveness of the Council's governance – generally and in relation to COVID-19
- Conclusion about this effectiveness
- Internal Audit function during 2021/22
- Our statutory governance roles
- Review of actions 2021/22
- Actions for 2022/23
- Outline of our governance

Overview

3. The Council has reviewed its overall effectiveness both in general and with regard to the COVID-19 pandemic challenges faced and those which it continues to face during recovery.

Generally:

4. Three of the action points for 2021/22 were completed as outlined in Annex 1, with a fourth action relating to the Constitution Review being extended to 31 July 2022, as agreed by the Accounts, Audit & Risk Committee. Specific action points for 2022/23 are set out in Annex 2.
5. The decision to terminate the S113 partnership agreement will be a main focus for the Council. The Joint Officer Transition Working Group will oversee the decoupling project to ensure a smooth transition for each authority. The District and County Council have agreed to a 6-month termination period, concluding on 31 August 2022.
6. Here are some ways in which our governance has proved effective during 2021/22
 - ❖ A return to face-to-face meetings following the relaxation of Covid restrictions, with a hybrid option, that allowed for the continuation of democratic decision making virtually, via MS Teams, but also enabled in person debate and voting.
 - ❖ Actions within last year's governance statement were tracked to completion with the exception of one where an extension was agreed.

During COVID-19

7. Having acted swiftly during the initial outbreak of COVID to meet the demands of the pandemic, the Council continued to do so throughout 2021/22. As with the previous year the Council remains confident that it has been able to do so without compromising good governance and democratic accountability. The Council's reaction benefited from:

- Clear leadership structure
- Dedicated Gold and Silver Command structures
- Partnership working with Oxfordshire County Council
- COVID-19 risk assessments for our services
- Flexible and reactive approach.
- Regular engagement with the administration and Political Group Leaders so as to aid transparency of actions being taken
- Regular and timely communications with councillors, staff and stakeholders
- Continuation of political decision-making with Executive, Council and Committees meeting virtually by MS Teams and then reverting to physical meetings in May 2021.

Impact

8. Lockdown and social distancing rules necessitated **democratic decision-making** be moved to a virtual setting until 6 May 2021. The Council was able to facilitate online decision-making through MS Teams. This also allowed members of the public to take part in virtual meetings e.g. for questions and the presentation of petitions. A **revised Constitution and protocol** ensured the application of the Constitution's key principles of openness, transparency and accountability. The councillor constituency voice was also maintained through the designation of a specific email address for councillors to raise COVID-19 related issues on behalf of their communities.
9. As restrictions were lifted, the Council returned to face-to-face meetings. These meetings have been operated to maintain transparency and accountability whilst minimising the risks associated with COVID in 2021/22. The provisions for wholly virtual meetings fell away from 6 May 2021 and so democratic meetings were required to be held in person. The Council achieved this by managing meeting rooms to maintain social distancing and introducing other hygiene measures. The provision of 'hybrid' meetings meant that officers, councillors, and members of the public could contribute remotely as well as in the room. On a very small number of occasions, the Council operated 'quorum-only' voting where the majority of members participated remotely and were represented in votes by those present.
10. The prolonged impact of COVID-19 required sustained business continuity activity to ensure the delivery of services in a largely uninterrupted fashion. Cherwell District Council's Human Resources and ICT Teams have continued, throughout 2021/22, to facilitate working from home whilst also assisting staff and Managers with the move to hybrid working and the return of some staff to Council offices.
11. Financial management practices have had to adapt to the prolonged impact of COVID on financial management. A Financial Cell was established as part of the COVID response strategy to support related decision making.
12. Clearly some services, were required to implement additional COVID-19 specific processes which will have impacted on normal business for those services, such as the Revenues and Benefits team (at CSN Resources until 4 November 2021) and Finance. From 5 November 2021 the Council has operated its own internal Revenues and Benefits service. The Council had to

respond quickly and implement new processes in response to the government's requirement to provide COVID-19 grants to qualifying local businesses. The Council also had to introduce discretionary schemes and the associated checks and balances to ensure grants were paid to appropriate qualifying businesses in need of support.

Command structure

13. The Council's **Gold and Silver Command** were put into place and worked well during the initial outbreak. The Command structures enabled the Council to keep visibility of services and how best to prioritise actions e.g. community and voluntary sector co-ordination, the supply of personal protective equipment; the flow of communications to support for businesses; and business continuity. Plugging this into the wider **regional structures** (e.g. **Thames Valley Local Resilience Forum**) ensured the flow of essential information and experience. Regular Gold sessions for Oxfordshire's Chief Executives and Leaders were also an integral part of the command structure in co-ordinating our response. Annex 3 is a one-page illustration of the Command structure and how it fits within its local and regional setting.

Beyond COVID-19

14. The Council's reaction to the pandemic has **fast-tracked the development** of key governance issues and has continued to do so throughout 2021/22. This has been through the safe and reactive deployment of technology (to enable almost seamless homeworking and virtual meetings); business continuity awareness and practices; working without silos, service-planning becoming more aware of the cross-cutting interplay of services; reviewing the portfolio of property; enhanced focus on security, wellbeing and health and safety, with the whole pandemic management being undertaken jointly through the Gold and Silver command structures.

15. The resource implications of the pandemic posed a challenge for the local government sector. The Council's governance experience of COVID-19, shaped future planning as it managed the delivery of quality services and democracy under COVID-19 conditions:

- Use of buildings and remote working
- Business continuity, risk assessment and project planning
- Fluidity and accountability of decision making
- Smart use of technology and digital engagement and solutions
- Financial management

16. The Council approved a robust recovery strategy – "**Restart Recover Renew**". It recognised the opportunity to learn from its experience and to transform its services for the better as it moved along the Roadmap.

Partnership Decoupling

17. In February 2022, Cherwell District Council and Oxfordshire County Council agreed to the required six months' notice for the termination of the s113

agreement dated 31 August 2018, governing joint working between the two councils.

18. In order to ensure appropriate separation of decision making and to fully serve the interests of each council through the termination process, the councils also agreed to separate the statutory roles of Head of Paid Service (Chief Executive), Monitoring Officer and s151 Officer, with immediate effect. As such, for each of these roles, each council has either made an interim appointment or the substantive post holder has returned to serving only their employing authority.
19. In the decision agreeing to terminate the agreement, both councils agreed an ongoing role of the Joint Shared Services and Personnel Committee (JSSP) with revised terms of reference, to provide suitable oversight and decision-taking concerning the termination of the agreement.
20. A Joint Officer Transition Working Group has been established and a programme of due diligence and service reviews is underway, with the aim of keeping the best interests of residents at the centre of decision making.
21. Where appropriate for each council, revised partnership arrangements will remain in-place within the framework of new agreements.
22. Full details of the termination are set out in Council Papers for 7 and 8 February 2022 for Cherwell District Council and Oxfordshire County Council respectively and progress on the ongoing programme of work to terminate the agreement is reported monthly meetings of the JSSP.

Internal Audit in 2021/22

23. The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” outlines the principles that define the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council’s arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor as follows:
 - objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
 - championing best practice in governance and commenting on responses to emerging risks and proposed developments.
 - be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
 - lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
 - be professionally qualified and suitably experienced.
24. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The self-assessment against the standards is completed on an annual basis. It is a requirement of the PSIAS for an

external assessment of internal audit to be completed at least every five years. This is next due in 2022.

25. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2022, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.
26. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and reported to the Accounts, Audit & Risk Committee. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Financial Management Code

27. A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of COVID-19 has continued to test that financial resilience in 2021/22 and will do so in coming years. Since April 2021 authorities have been expected to work towards full compliance of the FM Code. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. As such, Annex 5 sets out the outcomes of the initial assessment of compliance with the Code. As you will see, the picture is positive, with the RAG (Red-Amber-Green) rating of compliance showing as Green for all of the 19 standards. A column showing 'Further Work' gives an indication of improvements that can be made over the current year.

Our statutory governance roles

28. The Council is required to appoint to three specific posts, each of which oversees a key aspect of the Council's governance:
 - **Head of the Paid Service** (HOPS) role – which is the Council's Chief Executive, Yvonne Rees: how the Council's functions are delivered, the appointment and proper management of staff
 - **Monitoring Officer** – For most of 2021/22 this was Anita Bradley, Director of Law and Governance: responsible for the Council's Constitution, the lawfulness and integrity of its decision-making and the quality of its ethical governance. On 9 February 2022 Shahin Ismail, was appointed as Interim Monitoring Officer for Cherwell District Council, and as of 1 April 2022, the role of Interim Director of Law & Governance passed to her also as part of the Oxfordshire/Cherwell partnership decoupling process.
 - **'Section 151 Officer'** – the Chief Finance Officer, was Lorna Baxter until 8 February 2022: responsible for the financial management of the authority.

From 9 February 2022, this role passed to Michael Furness, Assistant Director for Finance.

29. Each of the postholders is an integral member of the Council's corporate leadership team (CLT). As such, they are fully sighted on all of the Council's objectives, workstreams and emerging plans; and their perspectives and voices continue to be heard in, and to influence, this senior forum.
30. The Chief Finance Officer and the Monitoring Officer both have open access to the Chief Executive at all times. They carry a statutory responsibility to report issues to Full Council, if needed. As such, the posts remain pivotal to the Council's good governance.

Governance Actions – Review of 2021/22 and priorities for 2022/23

31. The following two annexes summarise:

Annex 1: updates on the priority actions for 2021/22

Annex 2: actions identified for 2022/23

32. The Actions for 2021/22 in Annex 1 highlight certain aspects of emerging governance that might not otherwise be apparent from work regularly reported to the Council's Accounts, Audit & Risk Committee. As such, progress reports on these actions are reported to the Committee through the year. The Actions for 2022/23 in Annex 2 will be monitored by the Corporate Governance Assurance Group, or any successor governance framework following the conclusion of the decoupling project, and the Accounts, Audit and Risk Committee.
33. Other governance and audit activity across the Council will continue to be reported to [Accounts, Audit and Risk Committee](#) through its normal work programmes

Governance in Outline

34. Annex 4 sets out the Council's governance framework in outline. This was updated in March 2022, following a review by the Corporate Governance Assurance Group and Extended Leadership Team (ELT).

ANNEX 1 - SIGNIFICANT GOVERNANCE ISSUES

Actions identified for 2021/22 - Update

35. This is a review of the progress during 2020/21 on the priorities for that year. The actions identified were completed in-year

Actions that were planned for 2021/22	Original Timescale	Outcome
<p>To develop an OCC/CDC Procurement Strategy and OCC/CDC Social Value Policy with CEDR fully sighted on both documents. Ensure all staff are fully briefed and trained on the content and their respective obligations.</p> <ul style="list-style-type: none"> The new Provision Cycle Hub and Spoke functional model will fully define contract management accountability across the Councils. To help fulfil this accountability the council will enhance its contract management systems and processes and provide a training programme to support contract management skills improvement. <p>The electronic Contract and Supplier Management System (eCMS) functionality has been enhanced and will continue to be reviewed as part of the Provision Cycle transformation programme.</p>	<p>A new joint procurement strategy will be presented to CEDR by end July 2021.</p> <p>The new Social Value Policy, including Climate Change elements, will be presented to CEDR by July 2021. It will be implemented as appropriate across all tenders from July 2021.</p> <p>All contracts will be stored in the eCMS to demonstrate a complete Forward Plan in terms of current active contracts</p>	<p>A Social Value Policy has been drafted and was reviewed at a meeting of the Chief Executive's Direct Reports (CEDR, now the Corporate Leadership Team, CLT), the Council's senior management team. The policy was signed off by the Executive Board and adopted on 7 February 2022.</p> <p>This will apply to all tenders above a certain threshold value across Cherwell District Council (CDC) and will involve the use of the third-party supplier Social Value Portal, who have provided this service for many other Councils across the UK. There is a degree of flexibility to ensure that the selected topics for Social Value are relevant to that particular tender and will include elements relating to Carbon Net Zero: for example, reductions in carbon emissions and air pollution, ensuring that the</p>

Actions that were planned for 2021/22	Original Timescale	Outcome
<ul style="list-style-type: none"> This will include an improvement plan with the expectation to develop and implement improvements that will provide management and controls across the full cycle of Commissioning, Procurement and Contract Management. This will enable a consistent, council-wide approach enabling 100% visibility of requirements throughout the provision cycle, ensuring all contracts are effectively managed. 	<p>and renewal timescales. It will be a live document driving procurement engagement across all service areas.</p>	<p>natural environment is safeguarded, and that resource efficiency and circular economy solutions are promoted.</p> <p>The procurement strategy is in draft format, and will be presented to CLT in due course, once the Social Value Strategy has been approved.</p> <p>The Atamis system continues to act as the central document repository for Procurement. All tenders, contracts, and extensions are stored within it, enabling a Forward Plan to be created to identify which contracts will be up for renewal at what point. A detailed update was presented to Committee 19 January 2022.</p>
<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> The Corporate Governance Assurance Group will continue to monitor, support and engage with Corporate Lead areas so as to ensure that they are able to continue with effective governance arrangements. The Corporate Governance Assurance Group will continue to review the Council's governance, including its internal controls, policies and transparency arrangements. 	<p>Ongoing throughout 2021/2022</p> <p>Monthly review by Corporate Governance Assurance Group</p> <p>Paper to ELT and CEDR in Q.2 and each Quarter thereafter to update on progress</p> <p>Local Code of Corporate Governance reviewed by ELT in Q2 for consideration by Accounts, Audit</p>	<p>The Council's Corporate Governance Assurance Group has continued to meet monthly to oversee governance developments. The Group consists of the Monitoring Officer together with key governance officers including the Chief Internal Auditor, Assistant Finance Directors, Deputy Monitoring Officer, the Head of Insight and Corporate Programmes supported by the Council's governance officers.</p> <p>An emphasis has been on closer working with CLT and the Extended Leadership Team (ELT), that is, CLT plus their direct senior manager reports, particularly in the development of a</p>

Actions that were planned for 2021/22	Original Timescale	Outcome
	<p>and Risk Committee in September or November.</p> <p>Report to Accounts, Audit and Risk Committee at September, November, January and March meetings on emerging governance issues post-COVID.</p>	<p>revised Local Code of Corporate Governance. A report on the purpose of the Code was taken to ELT in the summer. In the meantime, a Local Code of Corporate Governance has been drafted with the oversight of CGAG and with input from ELT representatives. CLT have reviewed the Code ahead of Committee being invited to comment on the draft on 25 May 2022.</p> <p>Unlike the Annual Governance Statement, there is no statutory requirement for a Local Code of Corporate Governance. Rather, the Code complements and underpins the Annual Governance Statement by demonstrating, with evidence, how the Council meets the good governance principles set out in the Good Governance Framework published by the Chartered Institute of Finance and Accountancy.</p> <p>CGAG has worked with ELT, and then with CLT, to bring forward a draft Annual Governance Statement for 2021/22, which will then be brought to Committee on 25 May 2022.</p> <p>The Council has also overseen the return to physical settings of the formal democratic decision-making meetings of the Council, fully compliant with public health advice. This has been achieved while</p>

Actions that were planned for 2021/22	Original Timescale	Outcome
		<p>also retaining the virtual engagement from the public as well as webcasting of meetings, with the option for the public to attend in person.</p> <p>Additionally, the Council has taken steps to commence a Constitution Review as noted below.</p>
<p>Constitution Review Undertake an Annual Review of the Constitution, as agreed by Council in 2020, to take place during the Autumn</p>	<p>The Overview and Scrutiny Committee to agree the scope and means of a achieving the Annual Review of the Constitution (October 2021).</p> <p>Review to take place October-November</p> <p>The Scrutiny Committee (Nov 2021) to make recommendations for any substantive change to Council (December 2021).</p>	<p>The Constitution Working Group advised Committee that the timescale in which to produce an updated Constitution that is fit for purpose and understandable would not be achievable within the initial anticipated timescale of 31 March 2022.</p> <p>Committee agreed to extend the deadline for the review until July 2022.</p> <p>Update to be provided to Committee in due course.</p>
<p>Financial Management Implement budget monitoring that considers balance sheet items including reserves and outstanding debt</p>	<p>Begin monitoring of balance sheet items in Period 2 of 2021/22.</p> <p>As the closedown process finishes enhance the process throughout the year.</p>	<p>The Council has introduced monthly monitoring of its reserves with changes in the budgeted use of earmarked reserves and/or general balances requiring approval by the Executive. This offers the Council far greater understanding of its reserves position and the affordability of agreeing to the additional use of reserves.</p>

Actions that were planned for 2021/22	Original Timescale	Outcome
		<p>Additionally, the Council has begun to monitor its aged debt position on a quarterly basis. This allows the Council to understand whether it is collecting the debt it is raised on a timely basis. The introduction of this monitoring has resulted in a review of the aged debt the Council holds to identify how collectible the debt is.</p>

ANNEX 2 - SIGNIFICANT GOVERNANCE ISSUES

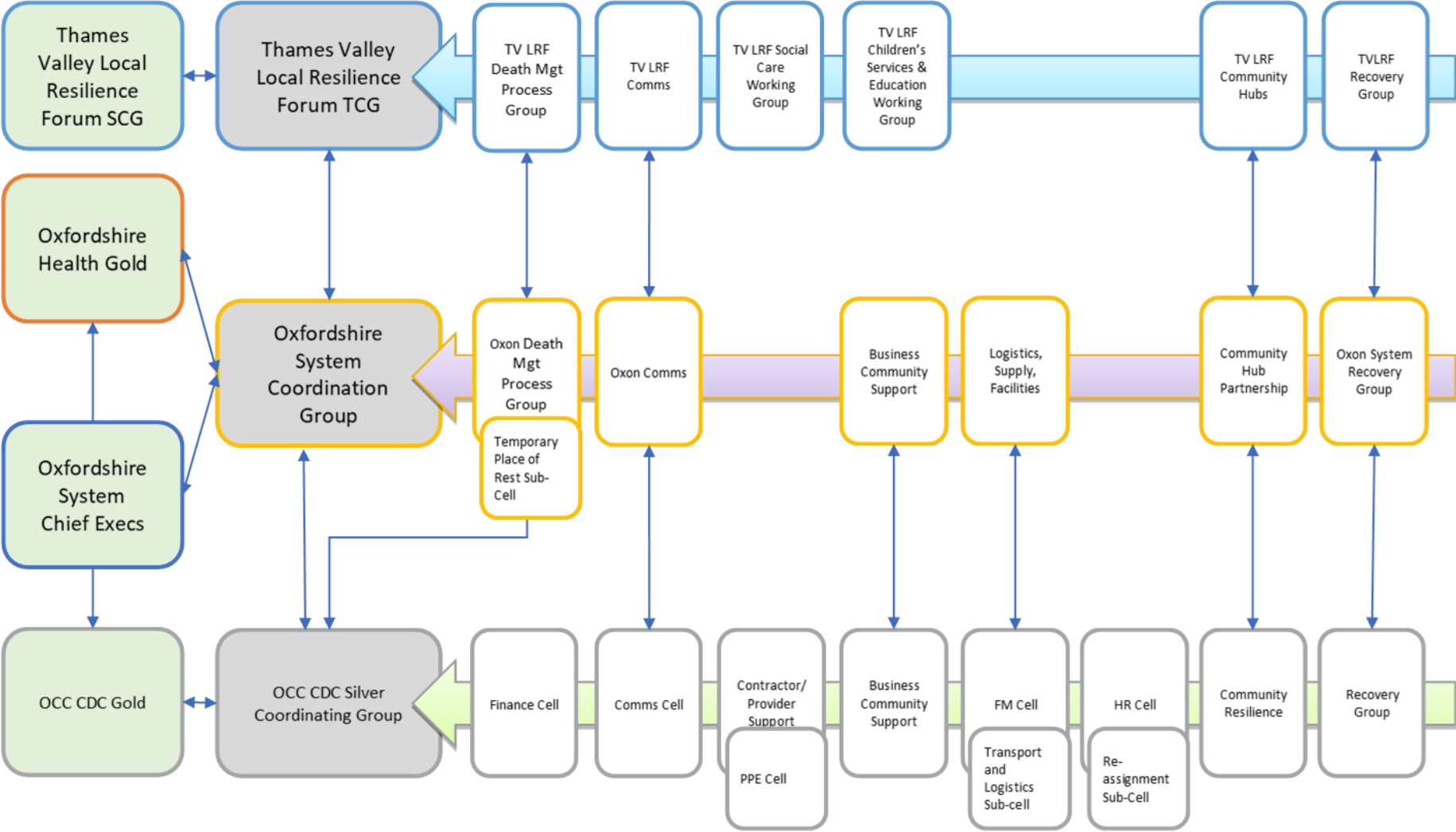
Actions identified for 2022/23

	Action now planned for 2022/23	Timescale for Completion	Responsible Officer	Monitoring Body
1	<p>Cherwell-Oxfordshire Decoupling Programme</p> <ul style="list-style-type: none"> • Joint Shared Services and Personnel Committee (JSSP) with revised terms of reference, to provide suitable oversight and decision-taking concerning the termination of the agreement. • A Joint Officer Transition Working Group will oversee a programme of due diligence and service reviews is underway, with the aim of keeping the best interests of residents at the centre of decision making. • Where appropriate for each council, revised partnership arrangements will remain in-place within the framework of new agreements. 	31 August 2022	Nathan Elvery, Interim Corporate Director, Communities and Chief Operating Officer	Corporate Leadership Team (CLT) and Accounts, Audit and Risk Committee (AARC)

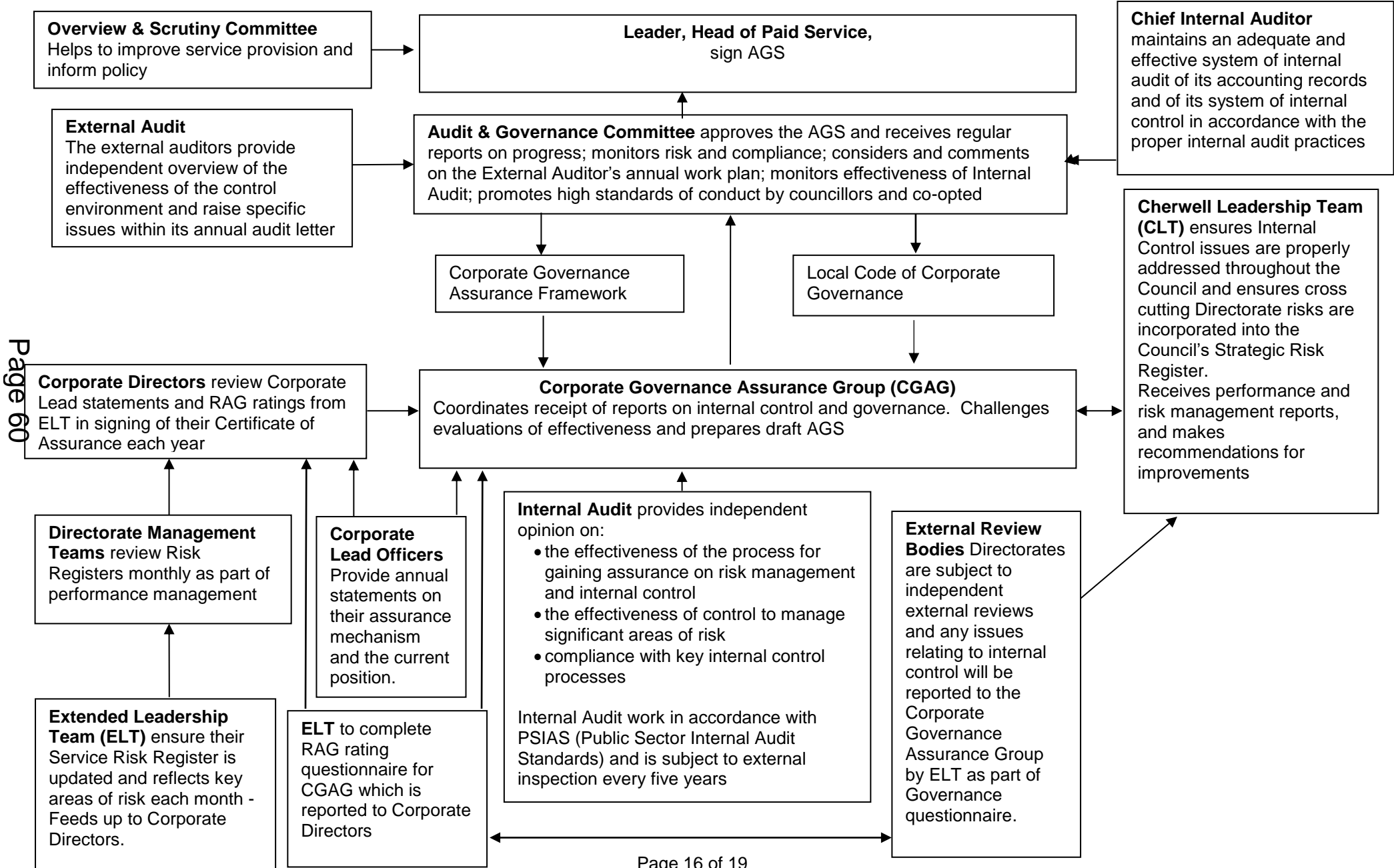
2	<p>Schemes of Delegation</p> <ul style="list-style-type: none"> The Council has implicit schemes of delegation (authorisation limits) within its Unit 4 financial system. However, these schemes of delegation are not formally codified within the constitution or delegated down from Corporate Directors to specific grades of officer. It is acknowledged that the monitoring officer will need to carry out a review of the schemes of delegation as part of the Constitution Review. This will be addressed as part of the constitutional work required on de-coupling its arrangements with Oxfordshire County Council 	November 2022	Shahin Ismail, Interim Monitoring Officer, and Michael Furness, Assistant Director of Finance	AARC
3	<p>Constitution Review</p> <ul style="list-style-type: none"> The Constitution Working Group advised Committee that the timescale in which to produce an updated Constitution that is fit for purpose and understandable would not be achievable within the initial anticipated timescale of 31 March 2022. Committee agreed to extend the deadline for the review until July 2022. Update to be provided to Committee in due course. 	31 July 2022	Shahin Ismail, Interim Monitoring Officer	AARC

Annex 3 – COVID-19 Command and Control Structure

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Overview of Corporate Governance Assurance Framework



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Annex 5 – Summary Financial Management Code Assessment

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
1. Responsibilities of the CFO and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price.	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.	Set out clear statement of roles and responsibilities of CFO, CEDR and the Exec.	
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.	CGAG to continue to establish itself and enhance its workload including driving consistency across the partnership between the County Council and CDC.	
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through CGAG.	
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		provides the budget setting and accounting framework for the organisation.		
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2021/22 – 2025/26 Report	Continue to update CEDR and the Executive throughout year and within Budget/MTFS documents	
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee.	Develop a profiled five-year capital programme. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five-year MTFS.	Ensure services aware of future savings plans committed to and savings are implemented.	
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Significant consultation on the budget proposals as well as ensuring carry out the statutory business rate payers’ consultation.	Continue with corporate and directorate consultation where appropriate.	
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits	Agree consistent business case templates from outline through to full across the partnership between	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.	the County Council and CDC for both revenue and capital schemes.	
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CEDR and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to: <ul style="list-style-type: none"> • better reflect performance and the delivery of outcomes linked to the completion of capital schemes. • Explain differences in in-year slippage and total cost variances 	
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Reserves and balances are monitored monthly and changes in budgeted use require appropriate approvals before they can be assumed. Debtor monitoring takes place quarterly identifying aged debt of Council debt.	Review aged debt to consider the collectability of this.	
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom”	The annual accounts are produced in compliance with the CIPFA Code.		
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CEDR and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		

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Cherwell District Council

Accounts, Audit and Risk Committee

25 May 2022

Local Code of Corporate Governance

Report of Interim Monitoring Officer

This report is public

Purpose of report

To provide an opportunity for the review of the Local Code of Corporate Governance

1.0 Recommendations

The meeting is recommended:

- 1.1 To approve the Local Code of Corporate Governance (Appendix 1).

2.0 Introduction

- 2.1 In 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) & Society of Local Authority Chief Executives (SOLACE) produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, "Delivering Good Governance in Local Government: Framework 2016 Edition." The Code of Corporate Governance attached at Appendix 1 is based upon this guidance.
- 2.2 The Framework urges local authorities to test their structures against seven core principles by:
 - Reviewing their existing governance arrangements against the Framework
 - Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
 - Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

- 2.3 The Corporate Governance Assurance Group has reviewed and updated Cherwell District Council's Local Code of Corporate Governance, and this will be subject to an annual review. The next review date is March 2023.

3.0 Report Details

- 3.1 Unlike the Annual Governance Statement, there is no statutory requirement for a Local Code of Corporate Governance. Rather, the Code complements and underpins the Annual Governance Statement by demonstrating, with evidence, how the Council meets the good governance principles set out in the Good Governance Framework published by the Chartered Institute of Finance and Accountancy.
- 3.2 The Local Code of Corporate Governance has been drafted with the oversight of the Corporate Governance Assurance Group (CGAG) and with input from ELT representatives.

Format of the Local Code of Governance

- 3.3 The Local Code of Corporate Governance sets out how Cherwell District Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to.
- 3.3 Appendix A of the Local Code of Governance details the actions and behaviours taken by the Council that demonstrate good governance; as taken from 2016 CIPFA & SOLACE: "Delivering Good Governance in Local Government: Framework 2016 Edition"
- 3.4 Appendix B of the Local Code of Corporate Governance identifies evidence that demonstrates that the Council is delivering good governance

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Local Code of Corporate Governance provides a simple and transparent way to communicate to the Council's stakeholders how it is meeting the requirements of the CIPFA/SOLACE Framework and provide a reference point in the Annual Governance Statement.

5.0 Consultation

None in the preparation of this report.
The Corporate Leadership Team and Extended Leadership Team were involved in the drafting and review of the Local Code of Corporate Governance.

6.0 Alternative Options and Reasons for Rejection

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

Option 1: Not to approve the Local Code of Corporate Governance. This is not recommended as the Code demonstrates how the Council meets the good governance principles set out in the CIPFA Good Governance Framework.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Shahin Ismail, Assistant Director Law, Governance & Democratic Services & Monitoring Officer, Shahin.ismail@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.Prado-Teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.Prado-Teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

N/A. This report is supported by the CIPLA/SOLACE framework document "Corporate Governance in Local Government"

Lead Councillor

None

Document Information**Appendix number and title**

- Appendix 1 – Local Code of Corporate Governance

Background papers

None

Report Author and contact details

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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Code of Corporate Governance

2021-2022

Review date: March 2023

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Introduction

In 2016 CIPFA & SOLACE produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.”

The Council’s Code of Corporate Governance is based upon this guidance.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads its communities.

Corporate governance in public bodies can be defined as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”. It can be further defined as including “robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public”.

GUIDANCE AND FRAMEWORK

The Framework urges local authorities to test their structures against seven core principles by:

- Reviewing their existing governance arrangements against the Framework
- Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

The preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 6 (4) of the Accounts and Audit (England) Regulations 2015 for authorities to prepare a statement of internal control in accordance with “proper practices”.

Internal control and risk management are increasingly recognised as important elements of good Corporate Governance.

The scope of internal control spans the whole range of the Council's activities and includes controls designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and Regulations are complied with
- Required procedures are adhered to;
- Financial statements and other published performance information is accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

The Regulations place a requirement on the Council to conduct an annual review of the effectiveness of its internal controls and identify areas where improvements can be made.

POSITION IN CHERWELL DISTRICT COUNCIL

The implementation of the Accounts and Audit Regulations required the production of a Statement on Internal Control, which formed part of the Council's Statement of Accounts. The Council's Corporate Governance Assurance Framework sets out the Corporate Governance arrangements within the Council and sets out the roles and responsibilities of key Officers, Councillors and Committees within that process.

This Local Code of Corporate Governance sets out how Cherwell District Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures these Corporate Governance principles are adhered to.

Core Principles

The Council's Code of Corporate Governance is based on seven core principles: -

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the County Council's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A, with evidence of compliance summarised in in Appendix B.

The Accounts, Audit & Risk Committee is currently responsible for approving this Code and ensuring it is annually reviewed and updated accordingly.

Next Review date: March 2023

Appendix A - Actions and behaviours taken by the Council that demonstrate good governance.

As taken from 2016 CIPFA & SOLACE: “Delivering Good Governance in Local Government: Framework 2016 Edition”

Principle	Sub Principles	Council Actions and Behaviours
(A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law	Behaving with integrity	<ul style="list-style-type: none"> Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council’s ethical standards and performance; Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council’s culture and operation; Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.
	Respecting the Rule of Law	<ul style="list-style-type: none"> Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; Deal with breaches of legal and regulatory provisions effectively; and Ensure corruption and misuse of power is dealt with effectively.
(B) Ensuring openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> Ensure an open culture through demonstrating, documenting, and communicating the Council’s commitment to openness; Make decisions that are open about actions, plans, resource use, forecasts, outputs, and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
	Engaging stakeholders individual citizens and service users	<ul style="list-style-type: none"> Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; Ensure that communication methods are effective, and that Members and Officers are clear about their roles with regard to community engagement; Encourage, collect, and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and Take account of the interests of future generations of taxpayers and service users.

Principle	Sub Principles	Council Actions and Behaviours
(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	<ul style="list-style-type: none"> Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning, and other decisions; Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; Deliver defined outcomes on a sustainable basis within the resources that will be available; Identify and manage risks to the achievement of outcomes; and Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Consider and balance the combined economic, social, and environmental impact of policies, plans and decisions when taking decisions about service provision; Take a longer- term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and Ensure fair access to services.
(D) Determining the interventions necessary to optimise	Determining interventions	<ul style="list-style-type: none"> Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided; and Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
	Planning interventions	<ul style="list-style-type: none"> Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; Consider and monitor risks facing each partner when working collaboratively including shared risks; Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; Ensure capacity exists to generate the information required to review service quality regularly; Prepare budgets in accordance with organisational objectives, strategies and the medium-term financial plan; and Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
	Optimising intended outcomes	<ul style="list-style-type: none"> Ensure the medium-term financial strategy integrates and balances service priorities, affordability, and other resource constraints; Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

Principle	Sub Principles	Council Actions and Behaviours
(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity	<ul style="list-style-type: none"> ▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.
	Developing the capability of the Council's leadership and other individuals	<ul style="list-style-type: none"> ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; ▪ Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; ▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political, and environmental changes and risks by: <ul style="list-style-type: none"> ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. ▪ Ensure that there are structures in place to encourage public participation; ▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; ▪ Hold staff to account through regular performance reviews which take account of training or development needs; and ▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
(F) Managing risks and performance through financial management	Managing Risk	<ul style="list-style-type: none"> ▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated.
	Managing Performance	<ul style="list-style-type: none"> ▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
	Robust internal control	<ul style="list-style-type: none"> ▪ Align the risk management strategy and policies on internal control with achieving objectives; ▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; ▪ Ensure effective counter fraud and anti-corruption arrangements are in place; ▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; ▪ Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ➢ that its recommendations are listened to and acted upon.

Principle	Sub Principles	Council Actions and Behaviours
(F) Managing risks and performance through robust internal control and strong public financial management	Managing Data	<ul style="list-style-type: none"> Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data; Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;
	Strong public financial management	<ul style="list-style-type: none"> Ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance; and Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
(G) Implementing good practices in transparency, accountability	Implementing good practice in transparency	<ul style="list-style-type: none"> Write and communicate reports for the public and other stakeholders in a fair, balanced, and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
	Implementing good practices in reporting	<ul style="list-style-type: none"> Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way; Ensure Members and senior management own the results; Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement); Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
	Assurance accountability	<ul style="list-style-type: none"> Ensure that recommendations for corrective action made by external audit are acted upon; Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon; Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations; Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Appendix B – Cherwell District Council’s Evidence of Good Governance

Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Business Plan 2022/23	Executive Reports	Business Plan 2022/23	The Constitution	The Constitution Financial Procedure Rules	Accounts Audit and Risk Committee (AARC)
	Schemes of Delegation / Decision making protocols	Decision Making Protocols Forward Plan of Executive/Key Decisions	Business Plan 2022-2023	Annual Budget and Corporate Planning process	Protocol on Members’ Rights and Responsibilities Constitution – Opposition rights	Accounts, Audit and Risk Committee Annual Internal Audit Strategy Annual Statement of Accounts & Plan	AARC Terms of Reference
	Accounts Audit and Risk Committee	Cherwell District Council Website records all council meetings and key decisions	Scrutiny Committees	Stakeholder Engagement	Member Induction/Development Programme	Scrutiny Committee/Framework Overview & Scrutiny Committees	Scrutiny Committees
	Scrutiny Committees	Scrutiny Committee Work Programmes Health Overview and Scrutiny Committees		Business Cases including options appraisals	Organisational Development Programme	Pension Fund Committee / Pensions Benefit Sub Joint performance, risk and finance reports.	Decision Making Protocols
	Contract Procedure Rules/ Financial Procedure Rules Financial Regulations	Public Meetings		Local Resilience Forum	Chief Executive Appraisal process Leadership Development	Annual Governance Statement Chief Internal Auditor Annual Report Internal Audit Plan – AARC	External audit of accounts and VFM opinion Annual Statement of Accounts
	Statutory Officer roles: Head of Paid Service (Chief executive), Director of Finance, Monitoring Officer. Chief Internal Auditor	Annual Monitoring Officer Report Annual Budget Consultation	Business Cases including option appraisals to support decision making	Monthly Performance Risk and Finance Reporting	Continuing Professional Development (CPD)	External audit of accounts and VFM opinion/ statement of accounts/ medium term financial strategy	Annual Governance Statement Corporate Governance Assurance Framework
	Members’ and Officers’ Codes of Conduct Member/Officer Induction Programme Members’/Officers’ Register of Interest	Co-production programme	Business and Budget Planning process including Service Plans	Medium Term Financial Strategy	External Reviews Local Government Association Peer Review	Risk & Opportunities Management Strategy Risk Management Framework Risk Based Internal Auditing Service / planning	Chief Internal Auditors Annual Opinion / Report
		Annual Residents Satisfaction Survey	Social Value Policy	Social Value Policy	Benchmarking	Leadership Risk Register	Internal Audit Service
	LGA Model Code of Member conduct	Published Annual Statement of Accounts, Annual Governance Statement	Equality Diversity and Inclusion Framework, Equality & Climate Impact Assessments, Climate Action Framework	Risk & Opportunities Management Strategy	Local Government Association Peer Review Internally led reviews / independent challenge	Data Protection and Information Security Incident Policy Information asset registers Data Protection Training Information Governance Board/Group Privacy Assessments Data sharing agreements	Monthly Performance Risk and Finance Reporting
	Protocol on Member Officer relations	Monthly performance risk and finance reporting	Framework Risk & Opportunities Management Strategy, Risk Registers	Service Plans	External Reviews	Monthly Performance risk and finance reporting, Annual Budget and Corporate Planning process	Transparency Code
	Counter Fraud Strategy Anti-Bribery and Anti Money Laundering Policies	Transparency Code	Transparency Code	Decision Making Protocols	Budget Operations Group	Internal Audit Strategy	Cherwell District Council Website
	Whistleblowing Policy	Corporate Complaints Procedure	Service benchmarking	Business Continuity Plans Contingency Planning Local Resilience Forum	Wellbeing advice Coronavirus support and advice Employee assistance programme	Monthly Performance, Risk and Financial Reports	Freedom of Information Publication Scheme
	Risk & Opportunities Strategy	Freedom of Information Publication Scheme		Service reviews	Health and Safety Governance Framework and policies	Counter Fraud, Strategy / Anti-Bribery and Anti Money Laundering Policies	Corporate Complaints Procedure

Ethical Procurement Policy Statement	Joint Strategic Needs Assessment		COVID mutual aid with NHS and other authorities - redeployment	Scheme of Delegation	Business Continuity Plans Contingency Planning Local Resilience Forum	Unacceptable Behaviour Policy
Procurement Strategy	Local Strategic Partnership			Shareholder committee	Procurement Strategy	Shareholder committee
Grant agreements (ethical practice statements)	Parish Liaison Meetings, Community forum and engagement events			DCN membership and secondments	Shareholder committee	
Customer service promise	Let's Talk Cherwell consultation and engagement platform - 'You said, we did' section					
Mandatory e-learning induction modules						

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Cherwell District Council

Accounts Audit and Risk Committee

25 May 2022

Annual Report of the Chief Internal Auditor 2021/22

This report is public

Purpose of report

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2021/22, and providing an opinion on the Council's System of Internal Control.

1. Recommendations

The meeting is recommended to:

- 1.1 Consider and endorse this annual report.

2. Introduction

- 2.1 This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2021/22, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.
- 2.2 The basis for the opinion is set out in paragraphs 3.18 – 3.28, followed by the overall opinion for 2021/22 which is that there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

3. Report Details

Background

- 3.1 The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2017 (PSIAS), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor (CIA) to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies and effectiveness of the internal control environment, comprising risk management, control and governance.
- 3.2 Our Internal Audit service conforms to the PSIAS 2017.

- 3.3 The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to be published at the same time as the Statement of Accounts is submitted for audit and public inspection. In order for the Annual Governance Statement to be informed by the CIA's annual report on the system of internal control, this CIA annual report has been produced for the May Audit and Governance Committee meeting. This is the full and final CIA annual report.

Responsibilities

- 3.4 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
- 3.5 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly (financial and non-financial). It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
- The Council can establish the extent to which they can rely on the whole system; and,
 - Individual managers can establish how reliable the systems and controls for which they are responsible are.

Internal Control Environment

- 3.6 The PSIAS require that the internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 3.7 The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:
- Achievement of the organisation's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.8 In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and governance arrangements. The Chief Internal Auditor's annual statement on the System of Internal Control is considered by the Corporate Governance Assurance Group when preparing the Council's Annual Governance Statement.

The Audit Methodology

- 3.9 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed by the Chief Internal Auditor. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. Our next external assessment is due Winter 2022.
- 3.10 The Internal Audit Strategy and Annual Plan for 2021/22 was presented to the June 2021 Accounts, Audit & Risk Committee. The Committee then received quarterly progress reports from the Chief Internal Auditor, including summaries of the audit findings and conclusions.
- 3.11 The Internal Audit Plan, which is subject to continuous review, identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.
- 3.12 Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:
- GREEN There is a strong system of internal control in place and risks are being effectively managed.
 - AMBER 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.
 - RED 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.
- 3.13 In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status of management actions against each audit, (based on information provided by the responsible officers).
- 3.14 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager or Chief Internal Auditor to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

The Audit Team

- 3.15 During 2021/22 the Internal Audit Service was delivered by the Oxfordshire County Council in-house team, supported with the specialist area of IT audit, providing the audit service across both Cherwell District Council and Oxfordshire County Council. This joint working approach has enabled us to build a more sustainable team with the required skills and capacity resilience. The team have built a good strategic and operational understanding of the organisation and have an ongoing commitment to organisational improvement and adding real value. Since 1 April 2021 we have also provided our Counter Fraud service to Cherwell District Council.
- 3.16 Throughout the year the Accounts, Audit & Risk Committee were kept informed of staffing issues and the impact on the delivery of the Plan.
- 3.17 It is a requirement to notify the Accounts, Audit & Risk Committee of any conflicts of interest that may exist in discharging the internal audit activity. There are none to report for 2021/22.

OPINION ON SYSTEM OF INTERNAL CONTROL

Basis of the Audit Opinion

- 3.18 The 2021/22 Cherwell District Council revised plan has been completed, subject to one audit (Key financial systems) currently at draft report stage. (Outcome of the audit is still included within the annual opinion for 2021/22)
- 3.19 The plan is intended to be dynamic and flexible to change. Two audits due to be undertaken have been deferred until quarter 1 of the 2022/23 plan; 1) Revenues and Benefits – due to the significant work being undertaken to establish the new in-house team and 2) IT Infrastructure – so that new systems and processes can be fully embedded. There was also an addition to the plan – Certification of the Protect and Vaccinate Grant.
- 3.20 The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g., Corporate Governance Assurance Group.
- 3.21 In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance, to be placed on our work.
- 3.22 A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in Appendix 1. There was one audit during 2021/22 with the overall grading as Red – PCI (Payment Card Industry) Compliance.
- 3.23 The overall opinion for each audit, highlighted in Appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. The current status of those actions is

also highlighted in appendix 1, for each audit. Reports on outstanding actions have been routinely reported to Corporate Directors during 2021/22. The Chief Internal Auditor's opinion set out below takes into account the implementation of management actions.

- 3.24 The Anti-fraud and corruption strategy remains current and relevant. In 2021/22 the Accounts, Audit and Risk Committee have been updated on reported instances of potential fraud. Most of these are minor in nature. Work has been undertaken to address the control weaknesses identified in each area identified to reduce the possibility or reoccurrence.
- 3.25 Internal Audit/Counter Fraud manage the National Fraud Initiative data matching exercise which is completed once every two years. Key matches are investigated, and results are reported to the Accounts, Audit and Risk Committee in the quarterly updates.
- 3.26 It should be noted that it is not internal audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Accounts, Audit and Risk Committee.
- 3.27 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
- 3.28 In arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2021/22 audit plan;
 - The results of follow up action taken in respect of previous audits;
 - Whether or not any priority 1 actions have not been accepted by management - of which there have been none;
- (Priority 1 = Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management. Priority 2 = Significant issue that requires prompt action and improvement by the local manager)
- The effects of any material changes in the Council's objectives or activities;
 - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.
 - Corporate Lead Assurance Statements on the key control processes, that are co-ordinated by the Corporate Governance Assurance Group (of which the Chief Internal Auditor is a member of the group), in preparation of the Annual Governance Statement.

Chief Internal Auditors Annual Opinion

In my opinion, for the 12 months ended 31 March 2022, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective action and timescale for improvement.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

The Internal Audit service conforms to the Public Sector Internal Audit Standards (2017)

See Appendix 2 for definitions of overall assurance opinion.

Audits completed since last report to Accounts, Audit & Risk Committee

3.29 The outcomes of the audits, including a summary of the key findings are reported quarterly to the Accounts, Audit and Risk Committee. The summaries of the audits completed since the last report (January 2022) are attached as appendix 3;

- Wellbeing and Sickness Management
- Payroll
- Waste Collection Service
- Treasury Management

3.30 The following audit is currently at exit meeting / draft report stage. The outcome of this audit is included within the annual opinion, the executive summary of the report once finalised will be included in the next internal audit quarterly update to committee.

- Key Financial Systems

Internal Audit Performance

3.31 The following table shows the performance targets agreed by the Accounts, Audit and Risk Committee and the actual 2021/22 performance.

3.32 Performance in achieving the target date for the exit meeting for each audit assignment has been impacted upon due to several resourcing issues within the year. This is an area we will continue to focus on and improve. The performance for the issue of finals this has reduced. We have reported in year to the committee that this was due to a positive reason whereby Corporate Directors, Senior Manager are now fully engaged in the audit report process and there is additional time needed now to fully engage with everyone and ensure a robust and quality management action plan is developed. For 2022/23 we will propose a change in the performance indicator to reflect this.

3.33 We are pleased to report the continued improvement with the implementation of management actions, with the majority implemented or not yet due. Our customer satisfaction questionnaires continue to provide positive feedback.

Measure	Target	Actual Performance 2021/22 – as at 09/05/2022
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	<i>67% of the audits met this target.</i> <i>For 2020/21 – we reported 78%</i>
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	<i>100% of the audits met this target.</i> <i>For 2020/21 – we reported 100%</i>
Elapsed time between issue of draft report and the issue of the final report	15 Days	<i>56% of the audits met this target.</i> <i>For 2020/21 – we reported 88%</i>
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2021.	<i>73% of the plan has been fully completed by the end of April 2022. The remainder will be completed by the end of May 2022.</i> <i>For 20/21 – we reported 91% of the plan fully completed by the end of April 2021.</i>
% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	<i>As at 09/05/2022</i> <i>184 actions being monitored on the system.</i> <ul style="list-style-type: none"> • 73% implemented • 17% not yet due • 3% partially implem. • 7% overdue
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 1 - Good 2 – Satisfactory 3 – Unsatisfactory in some areas 4 – Poor	<i>Average score was 1.1</i>
<i>Directors satisfaction with internal audit work</i>	<i>Satisfactory or above</i>	<i>The review of the effectiveness of internal audit is undertaken by the Monitoring Officer approximately every two years. A review was planned for 2021 across OCC and CDC – this was</i>

		<i>not completed. This will be discussed with the new Monitoring Officer for CDC and Assistant Director of Finance.</i>
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Sarah Cox, Chief Internal Auditor, May 2022

4. Conclusion and Reasons for Recommendations

- 4.1 This report summarises the work of internal audit for 2021/22 and provides the annual audit opinion.

5. Consultation

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, and this report draws attention to the ongoing effectiveness of that undertaking. There are otherwise no legal implications arising directly from this report.

Comments checked by:

Shahin Ismail, Monitoring Officer & Assistant Director Law, Governance and Democratic Services (interim)

shahin.ismail@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 - Progress with completion of 2021/22 Internal Audit Plan
- Appendix 2 - Annual Assurance Opinion Definitions
- Appendix 3 - Executive Summaries of audits finalised since last update to AARC.

Background papers

None

Report Author and contact details

Sarah Cox, Chief Internal Auditor, sarah.cox@oxfordshire.gov.uk

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APPENDIX 1: 2021/22 CDC Internal Audit Plan

Audit	Status	Conclusion	No of Mgmt Actions Agreed	Reported implementation status as at 09/05/2022
Customers, OD & Resources – HR				
Well-being / Sickness Management	Final Report	Amber	5	5 not yet due
Customers, OD & Resources – HR / Finance				
Payroll	Final Report	Amber	10	2 implemented, 8 not yet due
Customers, OD & Resources – Finance				
Key Financial Systems	Draft Report	tbc	tbc	-
Treasury Management	Final Report	Green	5	5 not yet due
Customers, OD & Resources – Finance / IT				
Payment Card Industry Data Security Standard (PCI-DSS)	Final Report	Red	9	6 implemented, 3 not yet due
Customers, OD & Resources – IT				
Cyber Security – Follow up	Final Report	Amber	9	8 implemented, 1 not yet due
IT Remote Working	Final Report	Amber	11	7 implemented, 4 not yet due
CDAI – Information Governance				
GDPR	Final Report	Amber	9	2 implemented, 1 partially implemented, 3 not yet due, 3 overdue
Environment & Place				
Waste Collection	Final Report	Amber	14	14 not yet due
Various / Corporate / Cross Cutting				
Grants – Disabled Facilities Grant	Certified Oct 21	-	-	-
Grants – Protect and Vaccinate	Certified April 22	-	-	-

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APPENDIX 2:

Overall annual opinion – definitions based upon framework recommended by Institute of Internal Auditors.

Substantial

There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.

- no individual audit engagement graded as “red” or significant “amber”
- occasional medium risk rated weaknesses identified in individual audit engagements although mainly only low/efficiency weaknesses
- internal audit has confidence in managements attitude to resolving identified issues.

Satisfactory

The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.

- medium risk rated weaknesses identified in individual audit engagements
- isolated high risk rated weaknesses identified for isolated issues
- no critical risk rated weaknesses were identified
- internal audit is broadly satisfied with management’s approach to resolving identified issues.

Limited

The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.

- significant number of medium and/or critical risk rated weaknesses identified in individual audit engagements
- isolated critical and/or high risk rated weaknesses identified that are not systemic
- internal audit has concerns about managements approach to resolving identified issues.

No Assurance

A control framework is not in place to mitigate key risks. The organisation is exposed to abuse, significant error or loss and/or misappropriation. Objectives are unlikely to be met.

- serious systemic control weaknesses identified through aggregation of individual audit engagements
- significant number of critical and/or high risk rated weaknesses identified for isolated issues
- internal audit has serious concerns about managements approach to resolving identified issues.

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APPENDIX 3: Executive Summaries of audits finalised since last update to AARC (January 2022)

Wellbeing & Sickness Management

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
Policies & Procedures	G	0	2
Sickness Recording	G*	0	0
Sickness Management & Monitoring	A	0	2
Staff Wellbeing	G	0	0
Management Information & Reporting	A	0	1
		0	5

* issues that were identified in this area with the accuracy of sickness recording have been evaluated and concluded on under the Sickness Management and Monitoring risk area.

Opinion: Amber	
Total: 5	Priority 1 = 0 Priority 2 = 5
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	5

The Council aims to manage staff sickness absence levels whilst maintaining a positive, fair and consistent approach to its staff. There is a Sickness Absence Policy and Procedure which sets out responsibilities and procedures which aim to achieve this. In addition, the Council promotes staff wellbeing through regular updates from the Chief Executive which include reminders about the Employee Assistance Programme (EAP), managers briefing emails, intranet articles and newsletters from the EAP provider.

It has been reported that the Council are looking to go through an accreditation process which should further enhance the staff wellbeing offering. There are also plans to implement a more formal performance management framework (12:3:2 framework) which

will formalise the one-to-one process and give management a defined structure which will include consideration of staff wellbeing.

Whilst the audit noted that the process to be followed by employees and managers in relation to sickness absence was clearly specified, the role of HR Assistants in processing sickness absence documentation was not as clear. Testing identified inconsistencies in process which could impact on the effectiveness of sickness absence management processes (for example inconsistent dates or blank sections of the form not identified and challenged).

In terms of sickness recording, there is not currently any reporting or monitoring specifically on the promptness of sickness recording. However, sample testing included review of the timeliness of completion of the return to work (RTW) process and no significant delays were noted. It was reported that this is an area which should be easier to monitor following completion of the strategic review as this will move the RTW process to a workflow on the system.

It was noted that there isn't any specific training for managers on the sickness absence management process. Testing identified examples where there appears to be a lack of understanding amongst managers of the process to be followed, for example there was a case where RTW discussion did not take place as the manager thought that this was no longer required. There were also examples where managers had used their discretion (4/10 cases tested) in deciding not to move to the formal sickness management process where employees had hit sickness absence triggers, which is contrary to Council Policy.

There were examples where the RTW process had not been followed consistently including examples noted from sample testing where RTW documentation had not been completed and also where it had not been sent to HR. There were also examples where this documentation had not been completed accurately. Some inconsistencies were also noted between the sickness absence periods recorded and the coverage of sickness absence from fit notes provided. Issues noted from sample testing relating to the management of sickness absence included an example where paid leave was noted to have been granted which was not recorded correctly as sick leave, timeliness of formal meetings where sickness absence triggers had been reached and lack of progression of a case where sickness absence targets had not been met following the first formal meeting.

Whilst there isn't any management reporting / information routinely produced at present, with the exception of one key performance indicator on staff sickness absence levels, this is an area that is in the process of being developed. It is planned that routine management reporting will be developed at corporate level as well as at Assistant Director area level with this cascaded up to Corporate Directors. Information available to line managers is already available in iTrent on individual staff absence, it has been reported that this will be enhanced with the implementation of the strategic review as the improvements will include the introduction of workflow to automatically highlight sickness absence triggers to managers.

Payroll 2021/22

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
Policies, Procedures, Roles & Responsibilities	G	0	0
Starters & Leavers	G	0	0
Variations, Adjustments, Deductions & Additions to Pay	A	0	4
Payroll Control	A	0	2
Management Information	G	0	1
IT Controls	A	0	3
		0	10

Opinion: Amber	
Total: 10	Priority 1 = 0 Priority 2 = 10
Current Status:	
Implemented	2
Due not yet actioned	0
Partially complete	0
Not yet Due	8

Overall, audit testing indicated that there are appropriate controls in place which are operating well across the risk areas reviewed. Work is underway within HR on a strategic review of the iTrent payroll system which is reviewing and aims to resolve known system issues identified following the implementation of the system. Following completion of the audit, it was reported that there were some challenges with the running of the April 2022 payroll due to changes made to the system as part of the strategic review, it is understood that these are being worked through and resolved. It is anticipated that the strategic review will result in a number of process improvements and will strengthen the control environment further.

It was noted that a number of policies and procedures have been reviewed and updated following the previous audit.

From audit testing on temporary variations to pay, some issues were noted in relation to the clarity of the process to be followed, this included an example where part of an overpayment had not been recovered promptly and an example where an honorarium had not been calculated accurately resulting in a member of staff being underpaid.

There was also a lack of clarity in the process to be followed in ensuring that employees returning from maternity leave have their return processed promptly and accurately. An instance was noted where this had not happened resulting in the need for an emergency payment.

The exceptions identified during audit testing have highlighted some areas where there is a lack of clarity over the process to be followed, particularly in the absence of the Payroll Manager.

Follow up – There were 14 management actions agreed as part of the 2020/21 Payroll audit. Testing undertaken as part of this audit have confirmed that 11 management actions have been fully and effectively implemented and 3 have been partially implemented.

Waste Collection Service 2021/22

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
Financial Management	A	0	8
Contract Management	G	0	0
Operational Processes	A	0	2
HR	A	0	4
Performance Information	G	0	0
		0	14

Opinion: Amber	
Total: 14	Priority 1 = 0 Priority 2 = 14
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	14

During the 2020/21 financial year, there have been changes introduced to waste collection services in the District. Garden waste collections are now chargeable and food waste collections have increased in frequency to weekly. There have also been increases in new housing developments across the District which has increased the workload of the service.

Review of procurement practices within the team noted a lack of oversight and challenge in relation to purchase card transactions, there were also examples of poor practice noted including splitting of a transaction to get around a transaction limit on the card and it appeared as though cards are being shared. It has been reported that the corporate approach to card use and oversight has recently been reviewed with expectations of card holders in relation to recording and documenting of transactions and of budget holders in review of purchase card expenditure clarified and communicated, however information on expectations and approach is not currently published on the intranet.

It was also noted that there is a lack of understanding of the procurement process in some areas of the team, with an example identified from sample testing where goods receipting processes had not been completed and an invoice had not been sent on to the Accounts Payable (invoice had been held for 3 months when identified by Internal Audit) because the staff member did not understand their role and responsibilities in this process. Corporate guidance in this area is currently limited to “how to” guidance on discreet processes, there isn’t currently any information on the intranet on end-to-end processes. Delays were noted with the raising of invoices within the service, this was reported as being due to conflicting pressures and priorities.

There is guidance for crews on the waste collection service which covers types of collections, what services are and are not chargeable, customer expectations etc, however there is not currently any guidance on key administrative processes carried out within the service. For example, the process for transferring waste once collected, obtaining and processing of weighbridge tickets, reconciliation of waste tonnage processed and service specific HR processes.

Service specific HR processes are in operation in relation to the booking of annual leave and claiming of overtime due to waste crew not being able to access the payroll system. They are unable to use self-service in the same way as other Council staff for requesting annual leave, claiming overtime etc. The processes in place result in additional work for supervisors in inputting information to the payroll system and in reconciling this with manual records. It was noted that source documentation is inconsistent and is not being consistently retained. High levels of overtime were noted within the service, but this was found to be kept under constant review by management in conjunction with HR.

Treasury Management 2021/22

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
IT systems	G	0	1
Strategy, Policy & Procedures & Reporting	A	0	3
Investments	G	0	1
Borrowings	G	0	0
Cash Flow Management	G	0	0
		0	5

Opinion: Green	
Total: 5	Priority 1 = 0 Priority 2 = 5
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	5

Overall, audit testing has found that the key controls and processes in relation to Treasury Management are strong and working well. There has been a recent change in staffing with a new Finance Business Partner – Treasury & Insurance starting in post in January 2022. This has led to a review and refresh of current processes. The audit noted that this is already leading to improvements in consistency of documentation of key processes, for example in relation to borrowing on behalf of the Council.

Improvements were noted as being required in relation to the restriction of treasury management files on the shared drive. Although current access arrangements are limited to Finance, there are teams within the service who have access but do not need it. Whilst no evidence of inappropriate access was identified, limiting access to key documentation and information as far as possible is good practice and assists in minimising the risk of financial loss due to error or fraud.

Brief internal guidance is available to finance staff on key daily treasury management tasks, however this does not cover less frequent tasks completed on a monthly, or quarterly basis (for example reconciliations or the production of information for treasury management strategy meetings or committee meetings), and does not cover the process

for borrowing on behalf of the Council or the processes completed in relation to loans which form part of the Council's non-treasury investments.

The Constitution (currently under review) gives delegated authority for borrowing and investment on behalf of the Council to the Section 151 Officer, however there is no further documentation on delegated authority below this. Standard Settlement Instructions (SSI's) were also found to be out of date in terms of officers referenced and limited to confirmation of the Council's bank details.

Definition of Internal Audit RAG opinions:

Grading:	G	A	R
<p>Overall conclusion on the system of internal control being maintained</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>

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Cherwell District Council

Accounts Audit and Risk Committee

25 May 2022

Internal Audit Strategy and Plan 2022/23

Report of Assistant Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Strategy and Plan for 2022/23.

1. Recommendations

The meeting is recommended:

- 1.1 To note and comment on the Internal Audit Strategy and Plan for 2022/23.

2. Introduction

- 2.1 This report presents the Internal Audit Strategy and Internal Audit Plan for 2022/23. A separate plan for Counter-Fraud activity will be presented to the July 2022 Committee.

- 2.2 Appendix 3 sets out the annual Internal Audit plan for 2022/23.

- 2.3 The key focus of audit activity during the year includes

- Financial Management
- Directorate Strategic Risks
- Governance
- IT and Information Governance

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 Internal Audit (IA) is 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. The operational impacts, new control environment, any changes in governance arrangements, resulting from events such as the pandemic, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

Audit Planning Methodology

- 3.5 The Internal Audit Plan is developed to consider the corporate vision and priorities of Cherwell District Council, the Leadership Team’s 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 IA also use its 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 the Leadership Team 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 Oxfordshire County Council (OCC) Internal Audit team have provided the internal audit service to Cherwell District Council (CDC). From 1 April 2021 OCC have also provided the Counter Fraud Service to CDC. This arrangement has enabled us to build a more sustainable team with skills and capacity resilience. IA has developed a good strategic and operational understanding of the organisation and have an ongoing commitment to organisational improvement and adding real value. It was decided at the 25 April 2022 meeting of the Joint Shared Services and Personnel Committee that OCC would continue to provide both Internal Audit and Counter Fraud Services to CDC under revised partnership working arrangements which will include the development of a new Service Level Agreement.
- 3.13 The 2022/23 internal audit structure is included in Appendix 1. The Accounts, Audit & Risk Committee are regularly updated regarding the Internal Audit resourcing position.
- 3.14 There continues to be a national challenge with the recruitment of good quality internal audit staff, particularly at a Senior Auditor level. Internal Audit continues with the approach of “growing our own” and is aiming to recruit a new internal audit apprentice over the summer. The current internal audit apprentice has been successfully appointed to an Auditor post, reflecting excellent progress and development.
- 3.15 The planned chargeable days available to CDC in 2022/23 = 200. 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.

Counter-Fraud

- 3.16 Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2022/23 will be presented to the July Accounts, Audit & Risk Committee.

Quality & Performance

- 3.17 Internal Audit operates in conformance with the Public Sector Internal Audit Standards. IA promote excellence and quality through the audit process adopted, application of the Quality Assurance Improvement Programme and training and development. During 2022/23 one member of staff will be supported to complete the Certified Internal Audit Qualification. There is an apprentice within the counter fraud team and will be looking to appoint a new apprentice within internal audit.
- 3.18 A number of ways are used to monitor performance, respond to feedback and seek opportunities to improve. Evidence of the quality of audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of the audit process.
- 3.19 The performance indicators for 2022/23 are attached as appendix 2 to this report. An amendment has been made to performance indicator 3. Previously this target was 15 days between the issue of the draft report and the final report, however this did not allow sufficient time for all relevant senior managers to be able to input to the development of the agreed action plan. This has now been amended so that the target is 10 days from receipt of the management response. A new indicator has also been added for 2022/23 – number 6, which will report on the number of repeat actions / findings (if any) that are raised, where follow up audits identify that actions have not been implemented effectively and the risk/issues previously identified still exist.

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 2022/23. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

5. Consultation

- 5.1 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 Funding for the 200 audit days has been set aside within the 2022/23 budget.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, and this report draws attention to the ongoing effectiveness of that undertaking. There are otherwise no legal implications arising directly from this report.

Comments checked by:

Shahin Ismail, Monitoring Officer & Assistant Director – Law, Governance & Democratic Services (interim)

shahin.ismail@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

N/A

Document Information**Appendix number and title**

- Appendix 1 - Internal Audit Structure Chart 2022/23
- Appendix 2 - Internal Audit Performance Indicators 2022/23
- Appendix 3 - Internal Audit Plan 2022/23

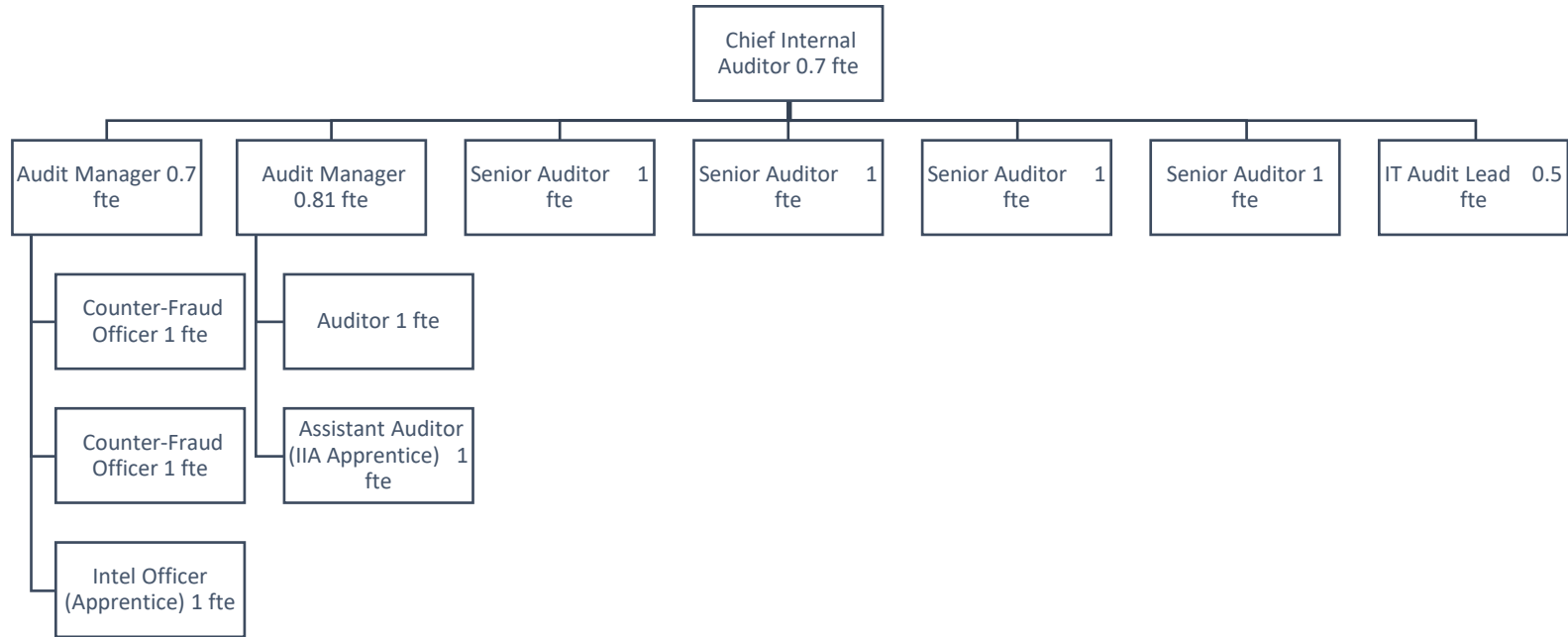
Background papers

None

Report Author and contact details

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APPENDIX 1: Internal Audit and Counter Fraud Team Structure 2022/23



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APPENDIX 2: PERFORMANCE INDICATORS 2022/23

	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 receipt of management responses and the issue of the final report	10 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 2022.	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	% of repeat findings/actions (relative to number of actions raised within the year)	Less than 5% of agreed management actions raised within the year.	Annual Report to AAR Committee	Internal Audit Tracking Spreadsheet
7	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 (1= Good, 2 = Satisfactory, 3 = Unsatisfactory, 4 = Poor)	Quarterly Report to AAR Committee	Questionnaire
8	Directors satisfaction with internal audit work	Satisfactory or above	Every two years - review of the effectiveness of IA - Monitoring Officer report to A&G Committee	Questionnaire, last completed in 2018/19, was due 2021, rescheduled for 2022.

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APPENDIX 3: CDC Internal Audit Plan 2022/23

Audit	Scope	Audit Needs Assessment	Link to Corporate Plan / Leadership Risk Register
Revenues and Benefits	Revenues and Benefits are responsible for the processing of housing benefit, NNDR, council tax and council tax benefit. The organisational arrangements for delivery of this service were subject to change during 2021/22 when it was brought back in-house. The detailed scope of the audit is to be confirmed; however, it will include follow up of the audit undertaken during 2020/21 and implementation of the agreed action plan.	M	<i>Corporate Plan – Delivery Theme:</i> Customers - Deliver high quality, accessible and convenient services that are right first time. <i>Leadership Risk Register:</i> LO2 Statutory Functions.
Capital Programme	The audit will provide assurance over the governance and control processes in place for the management and delivery of the capital programme.	H	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register:</i> LO1: Financial Resilience
Contract Management	The audit will provide assurance over the robustness of contract management activity and processes across a sample of service areas.	M	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register:</i> LO10: Financial Sustainability of 3 rd Party Suppliers and Contracts.
Housing – Temporary Accommodation	The audit will review the governance and operational processes in relation to temporary accommodation arrangements, from receipt of applications through to the management of actual placements.	M	<i>Corporate Plan Priority:</i> Housing that meets your needs <i>Leadership Risk Register:</i> LO2 Statutory Functions.
Health and	The audit will provide assurance over the Health and Safety	H	<i>Corporate Plan – Delivery Theme:</i>

Safety	arrangements in place across the council. This will include the identification, management and escalation of health and safety risks.		Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register: LO6 Health and Safety.</i>
IT Disaster Recovery	The audit will provide assurance that plans are in place to recover IT systems and services, within agreed timescales, following a major incident.	M	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register: LO4: Business Continuity.</i>
IT Cyber Security – Ransomware	Ransomware remains a significant cyber threat to organisations. The audit will review and assess the effectiveness of user awareness campaigns and IT technical controls used to protect against ransomware threats.	H	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register: LO7: Cyber Security.</i>
IT Infrastructure Management	The infrastructure is being moved from the joint data centre with South Northants Council into the Microsoft Azure cloud. The audit will review whether the network infrastructure is effectively managed and monitored, including the deployment and utilisation of the relevant tools. (this audit was deferred at the request of the service from qtr 4 of the 21/22 internal audit plan)	M	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.
Grant Certification	There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 22/23 these include: <ul style="list-style-type: none"> Disabled Facilities Grant 	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>

<p>Other (Chargeable days – non-audit assignment) There are days which are not attributed to specific planned audit activity and include:</p>	<ul style="list-style-type: none">• Chief Internal Auditor’s management days• Preparation of the audit plan and operational planning• Reports for the Accounts, Audit & Risk Committee• Attendance at Leadership Team meetings and regular meetings with Senior Management• Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement• External Audit liaison• Follow up on implementation of agreed management actions.• Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards• Advice and Liaison• Production of the Chief Internal Auditors’ Annual Report• Development of data matching / analytics• Contribution to change management programmes• Admin support for actual audit work
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Account Audit & Risk Committee Work Programme 2022

27 July 2022	Performance, Finance and Risk Monitoring Report - Q4 - March 2022 Treasury Management Annual Report Internal Audit Charter Counter Fraud Strategy and Plan 2022/23 Support to Subsidiaries Work Programme Update TRAINING - Statement of Accounts
28 September 2022	Report of Those Charged with Governance 2021/22 External Audit - Annual Audit Opinion 2021/22 Final Statement of Accounts and Letter of Representation 2021/22 Performance, Finance and Risk Monitoring Report - Q1 Treasury Management Q1 Update 2022/23 Internal Audit Progress Update 2022/23 Work Programme Update TRAINING - Counter Fraud/Whistleblowing/Internal Audit
16 November 2022	Treasury Management Q2 2022/23 Performance, Finance and Risk Monitoring Report - Q2 2022/23 Counter Fraud Update 2022/23 Work Programme Update Chief Internal Auditor - Private Session External Auditor - Private Session
25 January 2023	Internal Audit Progress Update 2022/23 Auditors Annual Report and VFM Commentary AGS 2021/22 Actions Update Draft Capital and Investment Strategy and Draft Treasury Management Strategy 2022/23 Work Programme Update
22 March 2023	Counter Fraud Update 2022/23 Annual Report of AARC Performance, Finance and Risk Monitoring Report - Q3 2022/23 Treasury Management Q3 2021/22 Housing Benefit Subsidy Audit Housing Benefit Risk Based Verification Policy Work Programme Update

