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DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Accounts, Audit and Risk Committee

Date: Wednesday 29 May 2024

Time: 7.30 pm

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

Membership

Councillors will be appointed to the Committee at the Annual Council meeting on Wednesday 22 May 2024. The Chairman and Vice-Chairman will be appointed at the meeting of the Committee being held at the conclusion of the Annual Council meeting.

Harry Lawson – Independent Person (no voting rights)

Sarah Thompson – Independent Person (no voting rights)

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

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

3. Petitions and Requests to Address the Meeting

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

4. Minutes (Pages 7 - 12)

To confirm as correct records the Minutes of the meetings of the Committee held on 20 March 2024 and 22 May 2024 (to follow as the meeting is being held after agenda publication).

5. Chairman's Announcements

To receive communications from the Chairman.

6. Annual Report of the Chief Internal Auditor 2023/24 (Pages 13 - 34)

Report of 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 2023/24, and providing an opinion on the Council's System of Internal Control.

Recommendations

The Accounts, Audit & Risk Committee resolves to:

- 1.1 Consider and endorse this annual report.

7. Internal Audit Work Programme 2024/25 (Pages 35 - 64)

Report of Assistant Director Finance

Purpose of report

This report presents the programme of internal audit work to be undertaken in 2024/25, and seeks the Accounts, Audit and Risk Committee's approval of this programme. Also contained within this report is the council's proposed internal audit charter. The report seeks the committee's approval of the internal audit charter. The charter sets out the internal audit service's purpose, mandate, and position within the organisation.

Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To approve the 2024/25 internal audit work programme.
- 1.2 To approve the proposed internal audit charter.

8. Housing Benefit Subsidy Audit 2020/2021 (Pages 65 - 74)

Report of Assistant Director Finance

Purpose of report

To provide the final position of the Housing Benefit subsidy claim audit for the financial year 2020/21

Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To note the contents of this report

9. Treasury Management Report - Annual Performance Report 2023/24 (Pages 75 - 90)

Report of Assistant Director Finance

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2023-24 as required by the Treasury Management Code of Practice.

To demonstrate that all treasury management activities undertaken during the financial year 2023-24 complied with the CIPFA Code of Practice, the council's approved Treasury Management Strategy and that all Prudential Indicators were met during the reporting period.

Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To note the contents of this Treasury Management Annual Performance Report.

1.2 To recommend the report to Council.

10. Annual Governance Statement 2023-24 (Pages 91 - 106)

Report of Assistant Director Law and Governance and Monitoring Officer

Purpose of report

The report sets out the Annual Governance Statement (AGS) for the Council for 2023-24 for approval. The AGS summarises the key governance issues for the Council and the actions required to address these. The AGS is required to be approved by those charged with governance, the Accounts Audit & Risk Committee, under the Accounts and Audit Regulations 2015.

Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To approve the Annual Governance Statement 2023-24.

1.2 To authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

11. Audit Completion Certificates 2020/21 and 2021/22 (Pages 107 - 114)

Report of Assistant Director Finance

Purpose of report

To receive the audit completion certificates for the years 2020/21 and 2021/22.

Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the formal completion of the audits for the years ended 31 March 2021 and 31 March 2022 and to note the associated audit completion certificates (appendices 1 and 2).

12. External Audit Plan 2023/24 - Bishop Fleming (Pages 115 - 134)

Report of Assistant Director Finance

Purpose of report

To receive the External Audit Plan for 2023/24 from the Council's external auditors, Bishop Fleming LLP.

Recommendations

The Accounts, Audit and Risk Committee resolves to:

- 1.1 Note the External Audit Plan for 2023/24.

13. Work Programme (Pages 135 - 136)

To consider and review the Work Programme.

14. Urgent Business

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

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 221534 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.

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Queries Regarding this Agenda

Please contact Patrick Davis, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221534

Shiraz Sheikh
Monitoring Officer

Published on Monday 20 May 2024

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Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, Oxon OX15 4AA, on 20 March 2024 at 6.30 pm

Present:

Councillor Lynn Pratt (Chairman)

Councillor Donna Ford

Councillor Simon Lytton

Councillor Ian Middleton

Sarah Thompson, Independent Person (no voting rights)

Substitute Members:

Councillor Adam Nell (In place of Councillor Simon Holland)

Apologies for absence:

Councillor Simon Holland

Councillor Besmira Brasha

Councillor Andrew Crichton

Councillor Harry Knight

Harry Lawson, Independent Person (no voting rights)

Also Present Virtually:

Councillor Barry Wood, Leader of the Council

Councillor Sandy Dallimore, Portfolio Holder for Corporate Services

Officers:

Michael Furness, Assistant Director Finance & S151 Officer

Joanne Kaye, Head of Finance and Deputy Section 151 Officer

Jacey Scott, Head of Revenues and Benefits

Natasha Clark, Governance and Elections Manager

Officers Attending Virtually:

Shiraz Sheikh, Assistant Director Law & Governance and Monitoring Officer

Sarah Cox, Chief Internal Auditor

Declan Brolly, Corporate Fraud Officer

Celia Prado-Teeling, Performance Team Leader

Alex Rycroft, Strategic Finance Business Partner

56 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

58 **Minutes**

The Minutes of the meeting of the Committee held on 17 January 2024 were agreed as a correct record and signed by the Chairman.

59 **Chairman's Announcements**

There were no Chairman's announcements.

60 **Urgent Business**

There were no items of urgent business.

61 **Risk Based Verification Policy 2024/2025**

The Assistant Director Finance submitted a report to seek approval of the reviewed Risk Based Verification (RBV) Policy for 2024/25.

In response to Members' questions regarding how the policy operated in practice, the Head of Benefits and Revenues Services gave an overview of the process. RBV was a method of applying different levels of checks to new claims for Housing Benefit and Council Tax Reduction dependent upon a complex risk profile given to each customer. The profile was determined by specific software using statistical information and experience about what type of claim represents what type of risk. The higher the risk, the greater the checks used to establish that the claim was genuine.

Resolved

- (1) That the report be noted.
- (2) That the Risk Based Verification Policy for the financial year 2024/2025 be approved.

62 **Internal Audit Contract Procedure**

The Head of Finance advised the Committee that Oxfordshire County Council would cease to provide the Internal Audit service to Cherwell District Council. Following due process, arrangements were being put in place for provision from May 2024. The Internal Audit Plan 2024/2025 would be submitted to the 29 May meeting of the Committee.

Resolved

- (1) That the verbal update be noted.

63 **Update on Counter Fraud Annual Plan 2023/24**

The Assistant Director of Finance submitted a report to present a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2023/24, which was previously presented to the Accounts, Audit & Risk Committee at the July 2023 meeting. The Plan supported the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council had in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that did arise.

The Committee commended the work being undertaken by the service.

In response to a question regarding the resource required to receive the outputs, the Chief Internal Auditor explained that the work undertaken was discussed with the Assistant Director Finance to ensure it was in the best interests of the Council and its residents. The Assistant Director Finance highlighted that the work also served as a prevention tool as it demonstrated that the Council did investigate as part of its zero approach to fraud.

In response to a question regarding handover of work to the new provider, the Chief Internal Auditor explained that Oxfordshire County Council would cease to provide the service to Cherwell District Council (CDC) at the end of April 2024. There would be some residual work and a pragmatic approach would be taken as the new provider would be delivering both the Internal Audit and Counter-Fraud service for CDC.

Resolved

- (1) That, having given due consideration, the summary of activity against the Annual Counter Fraud Plan for 2023/24 be noted.

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

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

In introducing the report, the Chief Internal Auditor confirmed that following the draft report being circulated to Committee members in February, the report had been updated to reflect changes suggested.

Resolved

- (1) That, having given due consideration, it be agreed that the draft Annual Report of the Accounts, Audit and Risk Committee be finalised in preparation for presentation to Council by the Chair of the Accounts, Audit & Risk Committee.

65 **Risk Monitoring Report January 2024**

The Assistant Director Customer Focus to update the Committee on how well the Council was managing its strategic risks.

In introducing the report, the Portfolio Holder for Corporate Services confirmed that there were no score changes in the Leadership Risk Register during January 2024.

Resolved

- (1) That the Risk Monitoring Report for January 2024 be noted.

66 **2021/22 Final Audit Results Report**

The Assistant Director Finance submitted a report to ask the Committee to note the final audit results and annual report of the council's external auditors in relation to the 2021/22 statement of accounts. The report also asked the Committee to note the final Letter of Representation and the final 2020/21 Statement of Accounts.

In introducing the report, the Portfolio Holder for Finance thanked the Finance Team for achieving great progress with the External Auditor.

In response to a question regarding the classification of Castle Quay, the Assistant Director Finance explained that the External Auditor had been provided with the paperwork at the time of purchase. The External Auditor had acknowledged that Castle Quay was in the wrong category, and it had been restated in previous years' accounts to provide a like-for-like comparison.

Resolved

- (1) That the final 2021/22 Audit Results Report be noted.
- (2) That the final 2021/22 Annual Audit Report of the External Auditor be noted.
- (3) That the final Letter of Representation be noted.

- (4) That the final Statement of Accounts for 2021/22 be noted.

67 **Draft Statement of Accounts 2022-23**

The Assistant Director Finance submitted a report to provide an opportunity for review of the draft 2022/23 Statement of Accounts which were published on 2 February 2024.

Resolved

- (1) That the report and publication of the draft statement of accounts 2022/23 be noted.
- (2) That the current consultations from Central Government to implement 'backstop' dates to combat the backlog of outstanding audits across England be noted.

68 **2023/24 Accounting Policies**

The Assistant Director of Finance submitted a report to review and approve the Accounting Policies for inclusion in the 2023/24 Statement of Accounts which were due to be published by 31 May 2024. The council was 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.

Resolved

- (1) That the accounting policies as recommended by the Chief Finance Officer be approved.

69 **Annual Governance Statement 2022/2023 - Update on Actions**

The Monitoring Officer & Assistant Director of Law & Governance submitted a report to consider an update on actions from the Annual Governance Statement (AGS) 2022/2023.

Resolved

- (1) That, having given due consideration, the update on the actions arising from the Annual Governance Statement 2022/2023 be noted.

70 **Work Programme**

The Head of Finance advised that the first meeting of the Committee in 2024/205 would take place on Wednesday 29 May. Mandatory training for Members appointed to the Committee would take place on the same date.

Resolved

- (1) That the work programme update be noted.

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Chairman's Thank You

As this was the last meeting of the municipal year, the Chairman thanked Committee members and officers for their work during the cycle of meetings. The Chairman also thanked the Independent Persons for their diligence in their roles.

The meeting ended at 7.50 pm

Chairman:

Date:

This report is public	
Annual Report of the Chief Internal Auditor 2023/24	
Committee	Accounts, Audit & Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Chief Internal Auditor, Sarah Cox

Purpose of report

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2023/24, and providing an opinion on the Council's System of Internal Control.

1. Recommendations

The Accounts, Audit & Risk Committee resolves to:

- 1.1 Consider and endorse this annual report.

2. Executive Summary

2.1 This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2023/24, 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 4.15 – 4.24, followed by the overall opinion for 2023/24 which is that there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

Implications & Impact Assessments

Implications	Commentary
Finance	The are no financial implications arising directly from this report. Michael Furness, Assistant Director of Finance, 01295 221845

Legal	There are no legal implications arising directly from this report. Shiraz Sheikh, Monitoring Officer & Assistant Director Law			
Risk Management	There are no risk management issues arising directly from this report. Celia Prado-Teeling, Performance & Insight Team Leader			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		Not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		Not applicable
Climate & Environmental Impact		x		Not applicable
ICT & Digital Impact		x		Not applicable
Data Impact		x		Not applicable
Procurement & subsidy		x		Not applicable
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	Not applicable			

Supporting Information

3. 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 Accounts, Audit & Risk Committee meeting. This is the full and final CIA annual report.

4. Details

Responsibilities

- 4.1 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.
- 4.2 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

- 4.3 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.
- 4.4 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.

4.5 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 Oversight and Governance Group when preparing the Council's Annual Governance Statement.

The Audit Methodology

- 4.6 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. The external assessment was undertaken by CIPFA (Chartered Institute of Public Finance & Accountancy) in November 2023, the results were reported to the January 2024 Accounts, Audit & Risk Committee meeting. The results of the assessment were very positive, with an overall conclusion that Oxfordshire County Council's Internal Audit Service FULLY CONFORMS to the requirements of the standards. There were no areas of either partial or non-conformance with the standards identified and no recommendations arising.
- 4.7 The Internal Audit Strategy and Annual Plan for 2023/24 was presented to the July 2023 Accounts, Audit & Risk Committee. The Committee then received quarterly progress reports from the Chief Internal Auditor, including summaries of the audit findings and conclusions.
- 4.8 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.
- 4.9 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.

4.10 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).

4.11 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

4.12 During 2023/24 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 to Cherwell District Council under a service level agreement.

4.13 Throughout the year the Accounts, Audit & Risk Committee were kept informed of staffing issues and the impact on the delivery of the Plan.

4.14 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 2023/24.

OPINION ON SYSTEM OF INTERNAL CONTROL

Basis of the Audit Opinion

4.15 The 2023/24 Cherwell District Council internal audit plan has been completed.

4.16 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 Oversight and Governance Group.

4.17 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.

4.18 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.

- 4.19 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 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 2023/24. The Chief Internal Auditor's opinion set out below takes into account the implementation of management actions.
- 4.20 The Anti-fraud and corruption strategy remains current and relevant. In 2023/24 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.
- 4.21 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.
- 4.22 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.
- 4.23 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.
- 4.24 In arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2023/24 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.
 - Statements on the key control processes, that are co-ordinated by the Corporate Oversight and Governance Group, in preparation of the Annual Governance Statement.

Chief Internal Auditors Annual Opinion

In my opinion, for the 12 months ended 31 March 2024, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

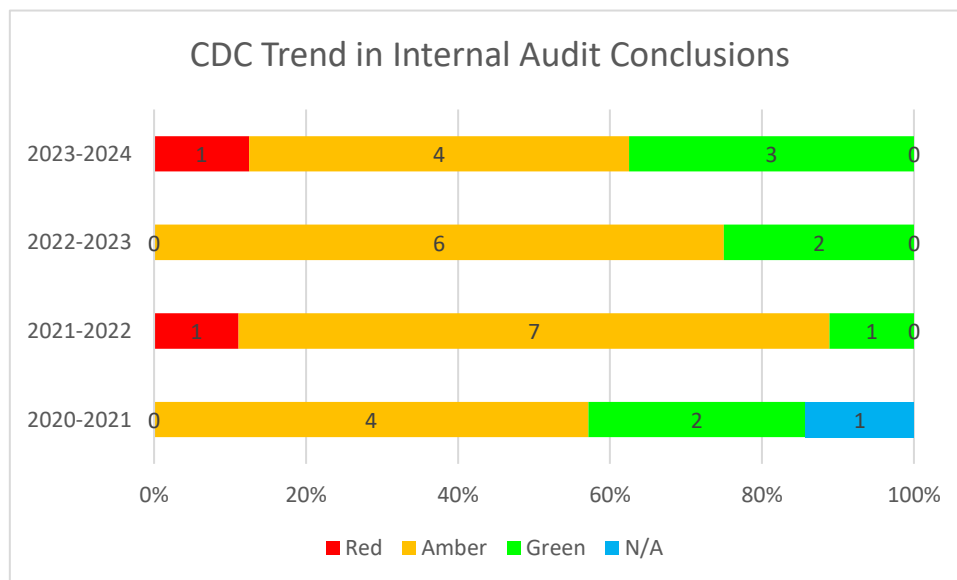
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective action and timescale for improvement.

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.

4.25 The following table shows the percentage trend in individual audit conclusions. It is pleasing to note the positive position, with only one red graded report issued for 2023/24.



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

4.26 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 2024) are attached as appendix 3;

- Utilities Management
- IT Governance
- Strategic Contract Governance
- Payroll

Management Update to Utilities Management Audit – overall grading Red:

As stated in Appendix 3 the Councils Property Services Team has made good progress to make the required improvements. Three actions have been met. Work in progress including collation of a master list of buildings, meter locations numbers and locations, accounts, and billing details will enable the Council to meet the other remaining actions. Activity is on track and there are no concerns at present about meeting the remaining actions.

Internal Audit Performance

4.27 The following table shows the performance targets agreed by the Accounts, Audit and Risk Committee and the actual 2023/24 performance.

4.28 We are pleased to report the continued improvement with the implementation of management actions, with the majority implemented or not yet due. At the end of April 2024 all open management actions were transferred over to the new Internal Audit Provider for them to take over monitoring and reporting on the implementation.

Measure	Target	Actual Performance 2023/24 – as at 24/04/2023
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	75% of the audits met this target. For 2022/23 – we reported 88% For 2021/22 – we reported 67% For 2020/21 – we reported 78%
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	100% of the audits met this target. For 2022/23 – we reported 75% For 2021/22 – we reported 100% For 2020/21 – we reported 100%
Elapsed time between receipt of the management response to draft report and issue of the final report. (Previously measured as issue of draft report to issue of final report – PI changed for 22/23)	10 Days	100% of the audits met this target. For 2022/23 – we reported 100% For 2021/22 – we reported 56% For 2020/21 – we reported 88%
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2023.	100% of the plan has been fully completed by the end of April 2024. For 22/23 – we reported 88% of the plan fully completed by the end of April 2023. For 21/22 – we reported 73% of the plan fully completed by the end of April 2022. For 20/21 – we reported 91% of the plan fully completed by the end of April 2021.

% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	As at 24/04/2023 - 146 actions being monitored on the system: <ul style="list-style-type: none"> • 51.4% implemented • 26.7% not yet due • 12.3% partially implemented. • 9.6% overdue
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 1 - Good 2 – Satisfactory 3 – Unsatisfactory in some areas 4 – Poor	Average score was 1 2022/23 1.2 2021/22 1.1

5. Alternative Options and Reasons for Rejection

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

Option 1: Not applicable – no alternative options as the report is for information only.

6 Conclusion and Reasons for Recommendations

6.1 This report summarises the work of internal audit for 2023/24 and provides the annual audit opinion.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	2023/24 CDC Internal Audit Plan
Appendix 2	Overall opinion – definitions
Appendix 3	Executive Summaries of Audits finalised since last update to Accounts, Audit & Risk Committee (January 2024)
Background Papers	None
Reference Papers	None
Report Author	Sarah Cox, Chief Internal Auditor
Report Author contact details	Sarah.cox@oxfordshire.gov.uk

Appendix 1: 2023/24 CDC Internal Audit Plan

Audit	Status	Conclusion	No of Mgmt Actions Agreed	Reported implementation status as at 26/04/2023
Strategic Contract Governance	Final Report	Green	7	7 not due for implementation.
Utilities Management	Final Report	Red	12	3 implemented, 9 not due for implementation.
Payroll	Final Report	Green	3	3 not due for implementation.
Community Development Projects	Final Report	Amber	9	1 implemented ,1 not due for implementation, 3 being implemented, 4 overdue.
Climate	Final Report	Amber	14	6 not due for implementation, 2 being implemented, 6 overdue.
Business Continuity	Final Report	Amber	8	2 implemented, 2 not due for implementation, 3 being implemented, 1 overdue.
Revenues & Benefits – IT Applications	Final Report	Green	6	3 implemented, 2 not due for implementation, 1 being implemented.
IT Governance	Final Report	Amber	5	1 implemented, 3 not due for implementation, 1 overdue
Grants – Disabled Facilities Grant	Certified	-	-	-
Grants – Changing Places Grant	Certified	-	-	-
Grants – Food Waste Grant	Certified	-	-	-

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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 2024)

Utilities Management 23/24

Overall conclusion on the system of internal control being maintained	R
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance	R	1	2
B: Operational Processes	R	0	2
C: Financial Management	R	0	7
		1	11

Opinion: Red	
Total: 12	Priority 1 = 1 Priority 2 = 11
Current Status:	
Implemented	3
Due not yet actioned	0
Partially complete	0
Not yet Due	9

The management of utilities within the Council is currently decentralised, with individual service areas handling meter readings, payments, and contract management independently. There is currently no overarching role or approach to align and coordinate utilities management activity, which has led to inconsistent practices and operational gaps, as identified in this audit.

Management acknowledges the need for a unified corporate approach and, having requested the inclusion of this audit in this year's annual internal audit plan in order to obtain assurance around the arrangements currently in place, are already working to improve this area. To date this has involved the collation of a master list of buildings, accounts, and billing details, which, although still a work in progress, has allowed Property Services to identify and improve several contract arrangements in place, as well as provide a starting point for future management of utilities within the Council.

Governance

As highlighted above, the assignment and understanding of roles and responsibilities in regard to utilities management were found to be unclear, with service areas managing their buildings independently. There is no oversight to cover areas such as the competitiveness of contracts, alignment with climate action priorities, and potential cost savings through coordinated efforts.

While the Council utilises a public procurement organisation (Crown Commercial Services) for entering into utility contracts, there was found to be limited awareness and understanding by officers as to how the agreement works. Renewals and tariff changes were found to have occurred in some instances without operational staff involvement, leading to increased or unexpected costs.

There is currently no guidance or procedures in place for staff involved in utility processes, covering key aspects such as roles and responsibilities, meter reading submissions, invoice verification, and management of income like Feed-In Tariff payments. It was also reported high staff turnover and the separation from Oxfordshire County Council has led to a loss of knowledge, with officers taking on responsibilities from former staff without formal handovers or guidance.

Operational Processes

The audit reviewed contract arrangements for ten different buildings (accounting for five cost centres) across the Council's services. Although different types of meters are legally required based on usage, the audit found a variety of contract types (fixed, standard variable, flexible) and varying charges and tariffs to be in use. As such, daily standing charges and consumption differed (for example, for the sample reviewed, standing charges ranged between £0.24 and £1.05 per day). Due to unclear responsibility for entering into contracts, it is uncertain whether these tariffs provide value for money or align with the Council's climate action priorities. Some invoices reviewed also suggested potential cost savings by switching tariffs.

Inconsistent practices were observed regarding meter readings for the ten sampled buildings, particularly for those with standard meters. Despite the requirement for regular meter readings to ensure accurate charges, review of invoices found a mix of ad-hoc customer readings, supplier readings, and estimated readings for utility supplies, with only one meter out of the 11 standard meters sampled having submitted regular monthly readings. Notable consequences of this inconsistent approach include a building's water supply being invoiced based on estimated usage since March 2022, another building's gas supply being invoiced on estimates from April to October 2023 (resulting in a large number of credit notes and re-issued invoices when a reading was later submitted), and one water supply being invoiced based on estimated readings since August 2021. As well as potential inaccurate charges, the lack of consistent meter readings could also have implications for budget monitoring and forecasting.

The Council has Half Hourly Meters for certain buildings, as legally required for large electricity users with peak loads exceeding 100kW. These meters require Data Collector (DC), Data Aggregator (DA), and Meter Operator (MOP) services for the handling and submission of data, for which the Council currently uses default services from the electricity provider, paying separately for each building. These default tariffs are generally more expensive than procuring a single contract to cover all sites.

Certain smaller buildings are able to utilise Non-Half Hourly meters (depending on usage), which also eliminate the need for manual readings. However, the additional costs incurred by these were sometimes found to be greater the energy consumption charges for the building.

Financial Management

During audit testing it was observed that credits held on utility accounts are not used for payment or withdrawn to the Council. Instead, they remain on individual accounts and are carried forward each billing cycle. The highest current credit value identified among the

sampled invoices was £7,250, with other account values noted at £3,313 and £1,271. There is therefore potentially money held within the Council's utility accounts, that could be used for payment or withdrawn.

Review of utility payments made in 2023/24 for the sampled cost centres and buildings also identified various mis-coding issues, potentially affecting budgeting and forecasting. Examples noted include five electricity invoices, totalling £4,113 (25% of the building's electricity budget), being coded to the wrong cost centre, and multiple invoices being coded to the wrong general ledger account. These errors, were not detected during coding or authorisation of the invoices, instead being highlighted for the first time during the audit.

Errors in coding VAT were also noted, although these particular errors are within HMRC tolerances and won't materially affect the monthly VAT return, discussions with Finance confirmed additional checks for utility invoices will be implemented for future VAT returns to ensure accurate coding. A separate report identified £4,072 in payments for 2023/24 for which a VAT code had not been assigned, raising queries around the completeness of records and inconsistencies in coding practices.

The audit noted unclear responsibilities and inconsistencies in the management of Feed-In Tariff (FIT) Payments, which are payments from energy suppliers for the Council's solar panels. Reported issues include a lack of oversight on FIT meters, tariffs, and payments, with no assurance of value for money, as well as historic problems with a supplier account, including misassignment and payment complications. While meter readings are submitted quarterly, cheques are received on an ad-hoc basis, complicating forecasting, and some locations currently lack FIT meter/payment setups.

During the audit, it was observed that the budget monitoring and forecasting tool used by budget holders to input forecasts and commentary is currently not operational. This has been identified by Finance and raised with the developer for resolution with the final solution due to be implemented shortly. In the interim, budget forecasting has been conducted offline, with Finance Business Partners collaborating with service areas to review and update their forecasts manually.

Among the five cost centres reviewed, it was found only one service increased its electricity and water budgets for the current financial year (2023/24), while the others maintained the same budgets despite general awareness of increasing utility rates and overspends in the previous year. Audit analysis comparing 2022/23 and 2023/24 tariffs showed increases in daily standing charges of up to 97%, and in consumption rates of up to 133%. It was reported that due to pressures not being submitted by services, a corporate inflation contingency was maintained centrally in 2023/24. Budget performance forecasts for those reviewed show a mix of over and underspends, although it is noted some of the underspends are skewed by coding errors or timing issues. While a corporate budget was established as a buffer, it is understood only one service to date has requested funds to meet an identified shortfall.

IT Governance 23/24

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
Service Structure	G	0	0
Digital Strategy	A	0	1
Programme and Projects	A	0	2
Performance Management	R	0	1
Risk Management	G	0	1
		0	5

Opinion: Amber	
Total: 5	Priority 1 = 0 Priority 2 = 5
Current Status:	
Implemented	1
Due not yet actioned	1
Partially complete	0
Not yet Due	3

The Digital and Innovation team are responsible for the management and delivery of digital services across the council. The service has a defined management structure, there is a documented and approved digital strategy and formal IT risk management procedures are in place. The two key areas of risk identified relate to programme/projects and performance management where more formalised procedures are required.

Service Structure:

There are clear lines of accountability and responsibility for the Digital and Innovation team. The team is going through a re-structuring exercise and a head of service has recently been appointed. The new structure includes a Cyber Security Lead. There are regular management and team meetings to review service delivery and operations.

Digital Strategy:

There is a documented and approved Digital Futures Strategy for the period 2023 – 2026, which includes a roadmap that sets out the priority IT/digital areas each year. The implementation of the strategy is overseen by a Transformation and Digital Futures Programme Board which meets monthly. An area of risk identified is that the Digital Futures Strategy does not show how it aligns with the council's overall aims and objectives. It is important that this alignment is clear and transparent to ensure the strategy supports the council's business plan.

Programmes and Projects:

There is a digital futures programme that will see the implementation of the Digital Futures Strategy. There are processes in place for managing IT projects but they are not formalised in a set of documented procedures to ensure there is a consistent approach to project delivery. A post implementation review is also not performed at the end of all projects to identify any lessons learned for future projects.

Performance Management:

There are no performance indicators for the Digital and Innovation team and hence a risk that the performance of the team is not measurable in terms of achieving strategic and operational targets.

Risk Management:

There is a formal approach to risk management and all digital risks are logged on a risk register which is subject to regular review. All risks are scored using an agreed methodology and currently the three highest scoring risks are cyber, key person dependency and portable media devices, in that order. An area for control improvement is to ensure all risks have mitigation actions against them as some were found to be missing or incomplete, which could result in the level of risk exposure not being minimised. The cyber risk is included on the corporate risk register and processes are being agreed across all services to ensure there is effective risk escalation in place.

Strategic Contract Governance 23/24

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
Policies & Procedures	G	0	3
Compliance with Procurement & Contract Guidance	G	0	4
		0	7

Opinion: Green	
Total: 7	Priority 1 = 0 Priority 2 = 7
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	7

In March 2023, the Council approved new Contract Procedure Rules, commenced a programme of guidance and support for Council Officers and initiated new contract gateway procedures, leading to the establishment of a new Procurement & Contracts Group responsible for contract procurement governance. The Procurement Strategy was approved in October 2023. The Procurement Team was set up with a remit to contribute to

the development and delivery of the Council's strategic priorities and objectives, to advise the Council on all matters relating to Corporate Procurement and effective contract management, to lead, develop, manage and monitor Council's procurement strategies, systems, policies, processes and procedures in line with best practice and to provide advice on effective contract management.

The audit identified that contract procurement and contract management arrangements are generally working well and noted some improvements to further strengthen governance and controls, in conjunction with the work already in progress.

Policies & Procedures – Significant work has been undertaken to develop contract procurement and contract management procedures, in line with the Council's Contract Procedure Rules. Seminars and workshops on the Procurement Strategy (embedding Council's Contract Rules) have been held since June 2023 to communicate to staff existing policies and procedures and how they should be applied in their procurement activities.

The Procurement Team is continuously developing and improving guidance to staff. A Procurement Commercial Playbook has recently been finalised and will be rolled out shortly. Tools and checklists have been designed to provide contract owners with a consistent format for supporting procurement activities. The contract management tools and checklists have also been developed and will be rolled out with the Procurement Commercial Playbook.

The current Procurement Act (on which the Procurement Strategy is based) became law in 2023 (Received Royal Assent, but not in force). The New Procurement Act, which is expected to come into force in October 2024, will introduce a number of changes to public procurement and management of contracts. Preparatory work is being carried out between now and October 2024 in readiness for the introduction of the new Act.

Compliance with Contract and Procurement Guidance – All procurement activities above £5K (quotes or tenders) are required to go through the Portal which was launched in 2023. This has improved oversight of the process and makes monitoring of compliance with policies/procedures easier. Based on testing performed on a sample of 3 contracts awarded in 2023-2024, it was found that procedures followed were compliant with Council's Contract Procedure Rules with the exception of one contract where there was a waiver in place. It was not possible to evidence that a Waiver Form had been completed or that it had been recorded on the Waiver register.

Publication of the Council's Contract Register is a statutory requirement. Examination of the Contract Registers published over the year to date showed that they were published regularly.

Contract owners should record details of contracts they have been engaged in on the Internal Departmental Contract Register, which is held on the MS Team's Sharepoint Site. Although contract owners have entered the contract details under their respective tabs, there was a lack of a consistent format for recording contracts. It is noted that the internal and published versions of the contract register are being reviewed and improved. Audit reviewed contract management arrangements at service level for a sample of three contract owners. As the contract management checklist has not yet been implemented with contract owners, officers are not following a consistent format. However, for each of the arrangements reviewed, there were no significant issues identified with the contract management activity in place.

Follow-up, Contract Management 2022/23 - A separate audit of Contract Management was undertaken during 2022/23, with an overall conclusion of “Amber” and 4 management actions agreed. Implementation of these management actions has been reviewed as part of this audit and it has been noted that 3 have been confirmed as fully implemented and 1 is partially implemented. The outstanding management action is in relation to KPI’s and performance reporting requirements for the Leisure Services contracts. Internal Audit will continue to monitor implementation of this action via the standard Internal Audit follow up process.

Payroll 23/24

Overall conclusion on the system of internal control being maintained	G
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Opinion: Green	
Total: 3	Priority 1 = 0 Priority 2 = 3
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	3

From June 2023, The Council have had a managed payroll service arrangement with an external service provider. The audit focussed on the operational arrangements in place for the provision of the payroll function. It did not include detailed testing on processing arrangements.

Key Findings

There is a clear and comprehensive Service Level Agreement (SLA) in place. This sets out roles and responsibilities of both the service provider and Cherwell District Council covering all expected key aspects of the payroll process. This includes clear timescales for completion of different stages of the payroll process, steps and mechanisms in place for checking input and output and approval processes to enable timely and accurate payments to be made.

Following the introduction of the current arrangements, there have been a couple of issues reported. This includes some overpayments of overtime and mileage claims due to the timing of approvals and an issue with a data upload which resulted in April 2024 increments having to be re-entered. In both cases the service provider and Cherwell District Council have worked together to review and resolve the issues identified. In relation to the overtime / mileage overpayments, there is ongoing work to improve processes going forward.

There were a couple of areas where some follow up is required with the service provider to ensure that service provision remains on track. Although there have been some discussions with the provider since the new arrangements came into effect in June 2023, formal service review meetings have not taken place on a quarterly basis as set out within the SLA. In addition, although service level objectives are set out within the SLA, the

reporting on performance of the contractor against these objectives is limited to a monthly accuracy report.

It is noted that the current permissions for the Payroll Specialist haven't been reviewed following the introduction of the new arrangements to ensure that there is appropriate segregation of duties. Although the payroll process is segregated between HR and payroll in terms of the set-up of new starters and the upload and checking of payroll data, at present it appears that the Payroll Specialist permissions enable access to both parts of the process in relation to the set-up of new members.

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>

This report is public.	
Internal Audit Work Programme 2024/25	
Committee	Accounts, Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

This report presents the programme of internal audit work to be undertaken in 2024/25, and seeks the Accounts, Audit and Risk Committee's approval of this programme. Also contained within this report is the council's proposed internal audit charter. The report seeks the committee's approval of the internal audit charter. The charter sets out the internal audit service's purpose, mandate, and position within the organisation.

1. Recommendations

The Accounts, Audit and Risk Committee resolves to:

- 1.1 Approve the 2024/25 internal audit work programme.
- 1.2 Approve the proposed internal audit charter.

2. Executive Summary

- 2.1 The council's internal audit service must comply with the Public Sector Internal Audit Standards ('the standards'), and the council's own internal audit charter.
- 2.2 The standards and charter require that the Head of Internal Audit gives an annual opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control. The basis for the opinion is the programme of work that internal audit carries out.
- 2.3 A risk-based audit work programme is drawn up at the start of each year, setting out proposed priorities for audit work over the coming twelve months.
- 2.4 The work programme is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit. This report seeks approval for the programme of internal audit work for 2024/25 (contained in appendix 1).

- 2.5 The report also seeks approval of the proposed internal audit charter to serve as the agreed upon basis for the management and delivery of the council’s internal audit service (appendix 2).

Implications & Impact Assessments

Implications	Commentary			
Finance	The are no financial implications arising directly from this report. The Internal Audits are expected to be completed with the budget available to the Council. Michael Furness, Assistant Director of Finance, 13 May 2024			
Legal	The are no legal implications arising directly from this report. Shahin Ismail, Interim Head of Legal, 13 May 2024			
Risk Management	The council’s internal audit service will not meet the requirements of the Public Sector Internal Audit Standards if the internal audit charter and work programme are not approved by the committee. This could result in external scrutiny and challenge. Celia Prado-Teeling, Performance & Insight Team Leader, 13 May 2024			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		N/A
Climate & Environmental Impact		X		N/A
ICT & Digital Impact		X		N/A
Data Impact		X		N/A
Procurement & subsidy		X		N/A

Council Priorities	This report relates to the council's 'continuous improvement' delivery theme which supports the priorities set out in the 2024/25 business plan. Internal audit's contribution to this delivery theme is to provide independent, risk-based, assurance, advice, and insight relating to the council's systems of governance, risk management, and internal control.
Human Resources	N/A
Property	N/A
Consultation & Engagement	<p>In preparing the internal audit work programme, consultation takes place with key officers and, through presentation of this report, with members of the Accounts, Audit and Risk Committee.</p> <p>The council's Assistant Director of Finance and Section 151 Officer has been consulted in the development of the proposed internal audit charter. Through presentation of this report, members of the Accounts, Audit and Risk Committee are also being consulted.</p>

Supporting Information

3. Background

- 3.1 With effect from 1 May 2024, Cherwell District Council's internal audit service has been provided by Veritau. Veritau has been engaged on an initial six-month contract to develop the council's risk-based internal audit plan (referred to in this report as a 'work programme'), and to begin delivery of audit work until longer term service provision is secured.

4. Details

- 4.1 The internal audit programme in appendix 1 outlines priorities for work in 2024/5. It includes planned areas of audit coverage and is based on a risk assessment undertaken by Veritau. The work programme has also been informed by discussions with senior officers, and through review of risk management arrangements and plans for development and change within the council.
- 4.2 The internal audit work programme is a flexible working document and so is continuously revisited throughout the year. It may be updated to ensure it remains aligned with current risks and priorities.
- 4.3 Total planned internal audit days for 2024/25 are 200. Eight internal audit engagements are included in the work programme. This is considered sufficient for the Head of Internal Audit to deliver their annual opinion.

- 4.4 Before commencing internal audit work, there is a need to update arrangements around the provision of the service. To comply with the requirements of the standards, an updated internal audit charter needs to be approved.
- 4.5 The internal audit charter (appendix 2) establishes the internal audit service's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Accounts, Audit and Risk Committee; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. The internal audit charter also sets out the arrangements for the delivery of counter fraud, consultancy and non-audit services.

5. Alternative Options and Reasons for Rejection

- 5.1 The nature of this report is such that alternative options are not appropriate. To discharge functions under the terms of reference for the Accounts, Audit and Risk Committee, it is required to approve the internal audit plan (work programme) and the internal audit charter.

6 Conclusion and Reasons for Recommendations

- 6.1 The Accounts, Audit and Risk Committee is recommended to approve the internal audit work programme for 2024/25. This is so that it can fulfil its responsibility for overseeing the work of internal audit. This responsibility is defined in the committee's terms of reference. Approval of the work programme at this meeting will allow for the timely deployment of internal audit resource to deliver the work programme.
- 6.2 The Accounts, Audit and Risk Committee is also recommended to approve the proposed internal audit charter. This is to enable the committee to fulfil its responsibility to approve the purpose, authority, and responsibility of the council's internal audit service.

Decision Information

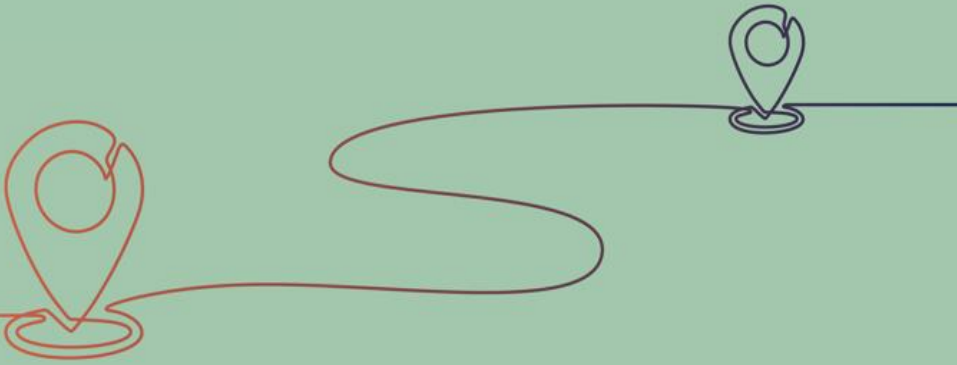
Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Internal Audit Work Programme 2024/25
Appendix 2	Proposed Internal Audit Charter
Background Papers	None
Reference Papers	None
Report Author	Connor Munro, Assistant Director – Audit Assurance (Veritau)
Report Author contact details	Connor.Munro@veritau.co.uk 01904 553512

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Internal Audit Work Programme 2024/25



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- 3 Introduction
- 3 Strategic context
- 4 Programme principles: development & delivery
- 6 2024/25 internal audit work
- 8 Annex A: internal audit work programme
- 9 Proposed internal audit charter

Introduction



- 1 This report sets out the proposed 2024/25 programme of internal audit work for Cherwell District Council. It also introduces a proposed internal audit charter. Approval of the charter is required to ensure that the internal service is able to deliver its work in accordance with professional standards.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. To comply with professional standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 Specifically, the PSIAS require that the Head of Internal Audit "*must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.*"
- 4 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council, and to produce a body of work which allows us to provide our opinion.
- 5 Responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can internal audit work cover all areas of risk across the organisation.

Strategic context



- 6 Overall, Cherwell District Council is on a stable financial footing for 2024/25. However, it is not immune from the real-terms reductions in local government funding over the last decade nor from future funding reforms planned by central government. This is reflected in the assumptions made in the medium term financial strategy which project that the council will move into a deficit position from 2025/26, with this continuing up to 2027/28¹.
- 7 Savings totalling £1.8m are planned for 2024/25, a significant proportion of which are expected to be achieved through service transformation and associated operational efficiencies. These efficiencies will be achieved

¹ Budget Setting for 2024/25 and the Medium-Term Financial Strategy up to 2028/29 (Executive, 5 February 2024)

within the context of the council's wider transformation programme which takes a strategic, cross-cutting approach to service redesign.

- 8 The council's services have only relatively recently returned to sovereign control following more than a decade of partnering with other local authorities. A key priority for the council will be to ensure that its services remain resilient, efficient, and aligned to council priorities.
- 9 The council also holds and manages a diverse portfolio of property assets for a local authority of its size. These comprise operational, income-producing, housing, community and other types of properties and land, including public open space. The council's assets have a net book value of £160m². The recently launched property asset management strategy will introduce significant changes to how these assets are managed corporately.
- 10 The council is committed to place-shaping by creating a strong identity and attracting inward investment to facilitate economic growth across the district. It is also prioritising regeneration having made, and continuing to make, significant financial investment in the district's town centres and other localities. The council aims to support housing delivery in the district too, establishing a property development company as a vehicle to deliver on this. At the same time, the council has ambitions to tackle environmental sustainability in the face of the climate crisis and to create healthy and resilient communities³. Balancing these priorities with the need to deliver its statutory services is a key challenge for the council.
- 11 Cherwell District Council is an ambitious organisation. Maintaining effective operational arrangements is an essential building block in achieving these ambitions. Internal audit contributes to overall objectives by helping to ensure that systems of governance, risk management and control that underpin operational arrangements are robust. To maximise the value of internal audit, it is vital that we provide assurance in the right areas at the right time. We have designed the processes for developing the internal audit work programme, and refining it through the year, to do that.

Programme principles: development & delivery

- 12 Flexible work programming and a risk-based approach to prioritising internal audit work are important principles for delivery of Cherwell District Council's 2024/25 internal audit work programme.
- 13 Audit priorities are determined at the start of the year but are continuously revisited to ensure that planned work provides maximum value from available internal audit resource. This could mean that the work programme changes during the year as risks and priorities change.

² Property Asst Management Strategy (Executive, 4 March 2024)

³ Business Plan 2024-25 (Executive, 5 February 2024)

- 14 Veritau uses what is known as the 'opinion framework' to identify, prioritise, and organise delivery of internal audit work. The opinion framework is comprised of three parts.
- 15 The main component of the framework is a definition of 11 key assurance areas. These represent areas of internal control that we believe to be essential to the proper functioning of the council. Systems and controls in each area need to be operating effectively to maximise the likelihood that the council's objectives are achieved without undue exposure to risk. The 11 key assurance areas are shown in figure 1 below.

Figure 1: 11 key assurance areas.

11 key assurance areas	
Strategic planning	
Organisational governance	
Financial governance	
Risk management	
Information governance	
Performance management and data quality	
Procurement and contract management	
People management	
Asset management	
Programme and project management	
ICT governance	

- 16 Overlaid on the key assurance areas are two further components of the framework:
- ▲ Organisational risks (identified from the leadership risk register)
 - ▲ Organisational objectives (identified from the business plan and other key strategies)
- 17 When identifying internal audit priorities, we apply the framework to determine whether planned work will, when taken as a whole, provide sufficient coverage to provide an informed annual opinion.
- 18 Pieces of work in the programme are individually prioritised. Decisions on delivery priorities will be based on judgement, and will be made having given consideration to several prioritisation factors. For example, where controls are changing or risks are increasing, where work provides broader assurance or an area is of particular importance to the council,

where we have no recent sources of assurance, and where there are time pressures linked to the work or specific scheduling requirements.

- 19 Decisions on internal audit priorities will be made in consultation with the council through our ongoing dialogue with senior officers. The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

2024/25 Internal audit work



- 20 The proposed internal audit work programme for 2024/25 is included in annex A.
- 21 The overall level of service is based on an indicative number of days, for planning purposes (200 for 2024/25). The proposed areas of coverage in the 2024/25 work programme have been subject to consultation with directors and senior officers from across the organisation.
- 22 Internal audit activity is organised into several functional programme areas. These areas are set out in table 1 below.

Table 1: Work programme functional areas.

Programme area	Purpose
▲ Strategic / corporate & cross cutting	To provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
▲ Technical / projects	To provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
▲ Financial systems	To provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
▲ Service areas	To provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
▲ Other assurance work	An allocation of time to allow for continuous audit planning and information gathering, unexpected work, grant certifications, and the follow up of work we have already carried out (ensuring that agreed actions have been implemented by management).

▲ **Client support, advice & liaison**

Work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.

- 23 Since Veritau is new to Cherwell District Council, audit priorities in the 2024/25 programme have been focused on work of a strategic / corporate and cross cutting nature. These areas make the biggest contribution towards fundamental systems of governance, risk management, and internal control. Undertaking audits in these areas will allow us to evaluate whether suitable arrangements are in place and operating effectively.
- 24 It is important that internal audit understands the strength of arrangements in these areas before broadening assurance across other types of internal audit activity in subsequent years.
- 25 The programme also includes two ICT audits in recognition of the threat that cybersecurity incidents pose to the council's data, systems integrity, and operational resilience.⁴

⁴ Risk Monitoring Report January 2024 (Accounts, Audit and Risk Committee, 20 March 2024)

ANNEX A: internal audit work programme 2024/25

Programme area	Internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Risk management ▲ Performance management ▲ Local authority trading company governance ▲ Information governance ▲ Procurement compliance ▲ Corporate health and safety
Technical / projects	<ul style="list-style-type: none"> ▲ Cybersecurity: cloud and network security ▲ ICT applications: third party assurance
Other assurance work	<ul style="list-style-type: none"> ▲ Follow-up of previously agreed management actions ▲ Grant certifications ▲ Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control ▲ Attendance at, and contribution to, governance- and assurance-related working groups
Client support, advice & liaison	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance, and risk related issues



- 26 As described previously, the work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS). These standards require that the purpose, authority, and responsibility of the internal audit service be defined in an internal audit charter.
- 27 The standards also require the Head of Internal Audit to periodically review the internal audit charter and present it to senior management and 'the board' for approval. The Accounts, Audit and Risk Committee fulfils the role of 'the board' in relation to internal audit standards and activities.
- 28 Since 1 May 2024, the council's internal audit service has been provided by Veritau. A proposed new internal audit charter, reflecting the intended relationship between Veritau and the council, is included in appendix 2 for approval by the committee.

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Cherwell District Council Internal Audit Charter

1 Introduction

- 1.1 There is a statutory duty on the council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (Cipfa) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2017 Cipfa adopted revised Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and Cipfa's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Cherwell District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the council's constitution and financial regulations.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Cherwell District Council.

"Board" – the Accounts, Audit and Risk Committee fulfil the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Assistant Director of Finance in their role as Section 151 Officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the council individually (including the Chief Executive and Head of Paid Service, Corporate Director Resources, Corporate Director Communities, and Assistant Director Law and Governance - Monitoring

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

Officer) or collectively as the Corporate Leadership Team (CLT) in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the council for audit planning purposes
- approving the release of information arising from an audit to any third party.

2.2 The standards also refer to the "chief audit executive". This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

3.1 In line with the PSIAS, the mission of internal audit at Cherwell District Council is:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

3.2 The council requires that the internal audit service aspires to achieve the mission through its overall arrangements for delivery of the service. In aiming to achieve this, the council expects that the service:

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

3.3 The PSIAS defines internal audit as follows.

"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."

3.4 The council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Cherwell. The council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS. To provide optimum benefit, the council requires that internal audit work in partnership with management to improve the control environment and help the organisation to achieve its objectives.

4 Scope of internal audit activities

4.1 The scope of internal audit work will encompass the council's entire control environment², comprising its systems of governance, risk management, and control.

4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

5.1 The Head of Internal Audit is required to provide an annual report to the Accounts, Audit and Risk Committee. The report will be used by the committee to inform its consideration of the council's annual governance statement. The report will include:

- the Head of Internal Audit's opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control
- any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- any particular control weakness judged to be relevant to the preparation of the annual governance statement
- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme

² For example, the work of internal audit is not limited to the review of financial controls only.

- a statement on conformance with the PSIAS (including the code of ethics and standards) and the results of the quality assurance and improvement programme.

5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:

- adopt an overall strategy setting out how the service will be delivered in accordance with this charter
- draw up an indicative risk-based audit plan ('work programme') on an annual basis following consultation with the Accounts, Audit and Risk Committee and senior management. The audit work programme will also reflect the requirements of the charter, the strategy, and proper practice
- consider trends and emerging issues that may impact the organisation.

5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the council³
- objectively examining, evaluating and reporting on the probity, legality and value for money of the council's arrangements for service delivery
- reviewing the council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action

³ Where third parties place reliance on the assurance provided then they do so at their own risk.

- advising the council on relevant counter fraud and corruption policies and measures, for example the counter fraud and corruption policy.
- 5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example, council policy and legal or professional standards and guidance.
- 5.5 In undertaking their work, internal auditors should have regard to:
- the mission of internal audit core principles and standards as set out in the PSIAS and reflected in this charter
 - the code of ethics in the PSIAS⁴
 - the codes of any professional bodies of which they are members
 - standards of conduct expected by the council
 - the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

- 6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.
- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice⁵

⁴ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

⁵ Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months.

7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the council by Veritau. The company is a separate legal entity. Staff undertaking internal audit work are employed by Veritau or are seconded to the company from the council. The Assistant Director of Finance (Section 151 Officer) acts as client officer for the contract, and is responsible for overall monitoring of the service.
- 7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:
- Council, Executive, or any committee (including the Accounts, Audit and Risk Committee)
 - Chief Executive and Head of Paid Service
 - Assistant Director of Finance (Section 151 Officer)
 - Assistant Director Law and Governance (Monitoring Officer)
 - other corporate directors, assistant directors and managers.
- 7.3 The Assistant Director of Finance (Section 151 Officer) has specific responsibilities for ensuring that the council has effective systems of risk management and internal control. The role includes a responsibility to ensure that the council has put in place arrangements for effective internal audit. In recognition of the importance of the relationship between the Section 151 Officer and internal audit (recognised in the standards), a protocol has been drawn up setting out the relationship between them. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to the Accounts, Audit and Risk Committee⁶ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - their annual opinion on the council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Accounts, Audit and Risk Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.

⁶ The committee charged with overall responsibility for governance at the council.

7.6 The Accounts, Audit and Risk Committee will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁷.

8 Fraud, consultancy services and non-audit services

8.1 The primary role of internal audit is to provide assurance services to the council. However, the service is also required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.

8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption must be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit.

8.4 Where Veritau provides non-audit services, appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Assistant Director of Finance and the Accounts, Audit and Risk Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur

⁷ The relationship between internal audit and the Accounts, Audit and Risk Committee is set out in more detail in Appendix 2.

(for example by arranging for the audit of these services or functional activities to be overseen externally).

9 Resourcing

9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are appropriate and sufficient to meet the requirements to provide an opinion on the council's control environment. Where resources are judged to be inadequate or insufficient, recommendations to address the shortfall will be made to the Assistant Director of Finance and to the Accounts, Audit and Risk Committee.

10 Rights of access

10.1 To enable it to fulfil its responsibilities, the council gives internal auditors employed by Veritau the authority to:

- enter all council premises or land, at any reasonable time
- have access to all data, records, documents, correspondence, or other information – in whatever form – relating to the activities of the council
- have access to any assets of the council and to require any employee of the council to produce any assets under their control
- be able to require from any employee or member of the council any information or explanation necessary for the purposes of audit.

10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the council's services are provided through partnership arrangements, contracts or other means.

11 Review

11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Assistant Director of Finance and the Accounts, Audit and Risk Committee, for approval.

Relationship between the Assistant Director of Finance and internal audit

- 1 In recognition of the statutory duties of the council's Assistant Director of Finance in their role as Section 151 Officer, this protocol has been adopted to form the basis for a sound and effective working relationship between the Assistant Director and internal audit.
 - (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the Assistant Director of Finance.
 - (ii) Internal audit will review the effectiveness of the council's systems of control, governance, and risk management and report its findings to the Assistant Director of Finance (in addition to the Accounts, Audit and Risk Committee).
 - (iii) The Assistant Director of Finance will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of their statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the Assistant Director of Finance.
 - (iv) The HoIA will notify the Assistant Director of Finance of any matter that in the HoIA's professional judgement may have implications for the Assistant Director of Finance in discharging their statutory responsibilities.
 - (v) The Assistant Director of Finance will notify the HoIA of any concerns that they may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the council's control environment, then they will make representations to the Assistant Director of Finance, and to the Accounts, Audit and Risk Committee.

- (viii) The HoIA will report to the Assistant Director of Finance (and to the Accounts, Audit and Risk Committee) any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action.
- (ix) The HoIA will report to the Assistant Director of Finance (and to the Accounts, Audit and Risk Committee) any instances where audit work has not conformed to the code of ethics and / or the standards. This includes the reasons for non-conformance and the possible impact on the audit opinion.
- (x) The Assistant Director of Finance will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

Relationship between the Accounts, Audit and Risk Committee and internal audit

- 1 The Accounts, Audit and Risk Committee plays a key role in ensuring the council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the committee.
- 2 The Accounts, Audit and Risk Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) oversight of, and involvement in, decisions relating to how internal audit is provided
 - (ii) approval of the internal audit charter
 - (iii) consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the council's control environment
 - (iv) consideration of other specific reports detailing the outcomes of internal audit work
 - (v) consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme
 - (vi) consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the committee in accordance with the approved escalation policy
 - (vii) approval (but not direction) of the annual internal work programme.
- 4 In relation to the Accounts, Audit and Risk Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda

- (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the council's control environment, including details of unmitigated risks or other issues that need to be considered by the committee
 - (iv) establish whether anything arising from the work of the committee requires consideration of the need to change the audit programme or vice versa
 - (v) highlight any shortfall in the resources available to internal audit or any instances where the independence or objectivity of internal audit work may be compromised (and to make recommendations to address these to the committee)
 - (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the committee. This includes risks which management are failing to address but which the HoIA considers are unacceptable for the council
 - (vii) report any actual or attempted interference in the performance or reporting of internal audit work
 - (viii) participate in the committee's review of its own remit and effectiveness
 - (ix) discuss the outcomes of the quality assurance and improvement programme, and consult with the Accounts, Audit and Risk Committee on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The Head of Internal Audit will informally meet in private with members of the Accounts, Audit and Risk Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.

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This report is public	
Housing Benefit Subsidy Audit 2020/2021	
Committee	Accounts Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

To provide the final position of the Housing Benefit subsidy claim audit for the financial year 2020/21

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the contents of this report

2. Executive Summary

- 2.1 Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is provided to help claimants meet housing costs for rented accommodation in the private and social rent sectors. Administration of HB is highly complex and requires detailed knowledge of ever-changing regulations that span several decades. The introduction of Universal Credit (UC) has reduced the amount of working age claims year on year but adds additional complexity to working age temporary and supported accommodation claims which remain the responsibility of the council to administer.
- 2.2 Local authorities reclaim HB that has been paid to claimants by submitting annual subsidy claims to the DWP. The subsidy claim details the HB expenditure which has been paid out over the year, dividing the total caseload into various claim types. The Cherwell claim for 2020/21 accounts for £24.9m in HB expenditure. Throughout 2020/21 the revenues and benefits function was provided by CSN Resources.

- 2.3 There are extensive subsidy rules that determine how much of the HB expenditure by the Council is recouped from the Government. Where HB has been correctly paid, DWP will normally provide 100% subsidy to the Council. However, where HB has been overpaid, DWP provides different rates of subsidy.
- Claimant error overpayments attract 40% subsidy – this is where the claimant has not provided the correct information or has not updated their information in relation to a claim
 - Local authority error overpayments, subsidy is determined by thresholds, expressed as a percentage of the value of correct payments made. These are:
 - 0.48% (lower threshold)
 - 0.54% (upper threshold)
- 2.4 Where the local authority error overpayments are less than or equal to the lower threshold local authorities receive 100% subsidy. Where they are more than the lower threshold but less than the upper threshold, local authorities receive 40% subsidy. No subsidy is payable on the value of overpayments that are above the upper threshold. Therefore, minor levels of error in the team can lead to significant costs for the council.
- 2.5 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors to the DWP in a covering letter that accompanies the claim. Where there are errors, the claim is qualified and the DWP will seek to reduce subsidy payments to the Council. Any error is extrapolated against the total of all the payments made in the area in which it was found. Although the value of any errors may be low the DWP method of extrapolation means that the value can be substantially increased. This methodology is applied to all councils nationally.
- 2.6 This report provides Members with an update on the Housing Benefit subsidy claim and the audit of the claim for 2020/21.

Implications & Impact Assessments

Implications	Commentary
Finance	The local authority error overpayments declared pre audit was £96,240 which is below the lower threshold. Subsidy was therefore claimed. Additional testing and extrapolations the overpayment increased by £114,552 to £210,792. The authority must now repay the DWP £210,792 which will be deducted from our ongoing monthly subsidy payments received from the DWP.

	The financial implications are as outlined within the report, with the repayment of 2023/24 subsidy being accounted for within the Councils outturn and reserves estimations. Michael Furness Assistant Director for Finance 08.05.2024			
Legal	There are no legal implications directly related to this information report. Shahin Ismail Legal Services Manager 08.05.2024			
Risk Management	Any risk has been highlighted in the report			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		N/A
Climate & Environmental Impact		X		N/A
ICT & Digital Impact		X		N/A
Data Impact		X		N/A
Procurement & subsidy		X		N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	None			

Supporting Information

3. Background

- 3.1 In 2020/21 Cherwell District Councils benefits service was provided by CSN Resources, a teckal company jointly owned by Cherwell and South Northants Councils. In November 2021 the company was disbanded, and the Revenues and Benefits Service was brought back in-house within the council.
- 3.2 Recruiting and retaining staff for the benefits function supplied by CSN was challenging and agency staff were mainly used to deliver this function.
- 3.3 Reliance on agency staff and the level of quality assurance processes in place throughout has contributed significantly to the level of error found in housing benefit claims tested by the external auditor.
- 3.4 Since the recruitment of the new in-house team in November 2021, the council has introduced robust quality assurance measures for checking the accuracy of claims, as well as introducing monthly monitoring of the local authority error, which is recorded and reviewed each month to establish where Cherwell are with the thresholds for local authority overpayment error. These processes are continually reviewed to look for improvement.

4. Details

Housing Benefit Subsidy 2020/21

- 4.1 For the financial year 2020/21 Cherwell District Council (CDC) submitted a Housing Benefit claim in April 2021 for a total value of £25.9M which attracted £25.9M in subsidy from the Department for Work and Pensions (DWP). The audit of the subsidy claim was undertaken by Ernst and Young (EY) using the national methodology determined by the DWP.
- 4.2 Initial testing is undertaken and if this testing identifies any error the auditor is unable to conclude that the error is isolated. The DWP methodology requires that an additional sample of 40 cases is tested which is focussed on the error.
- 4.3 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the subsidy cell total by the sample value that is found to be in error. Therefore, even small errors found in the sample can lead to large changes in the extrapolated levels of error.
- 4.4 In line with the requirement of the subsidy audit additional testing was also carried out based on the preceding audit findings (known as cumulative assurance knowledge and experience or CAKE)

- 4.5 It was agreed with EY that there would be 14 areas of change to the final claim prepared April 2021 where there would be movement to Local Authority error relating to areas found in Appendix 1 and listed below:

Table 1 – Areas sampled for Non-Housing Revenue Account and Rent Allowances

Area identified	Number of cases	Sample Value
Non HRA - Eligible Rent	80	£145,064
Non HRA - Childcare Costs	2	£17,499
Non HRA - Earnings	14	£50,836
Non HRA - CY Eligible Error	25	£8,148
RA - LHA Tenure Type	48	£268,014
RA - Eligible Rent	80	£288,378
RA - AIF	43	£226,847
RA - Occupational Pension	45	£174,183
RA - Capital	48	£232,913
RA - CY Eligible Error	46	£11,921
RA - PY Eligible Error	42	£35,330
RA - Earnings	52	£236,586
RA - SE Earnings	44	£281,298
RA - Passported to Standard	64	£326,671

- 4.7 As shown in the table below EY found 71 errors during their audit as a result of initial testing, 40+ testing and CAKE:

Table 2 - Outcome of the sample testing:

Area identified	Number of cases with errors	Error Value
Non HRA - Eligible Rent	1	£620
Non HRA - Childcare Costs	2	£2,708
Non HRA - Earnings	3	£44
Non HRA - CY Eligible Error	4	£276
RA - LHA Tenure Type	1	£986
RA - Eligible Rent	2	£71
RA - AIF	6	£24
RA - Occupational Pension	11	£159
RA - Capital	1	£795
RA - CY Eligible Error	8	£900
RA - PY Eligible Error	5	£834
RA - Earnings	5	£558
RA - SE Earnings	4	£525
RA - Passported to Standard	18	£21,143
Total		£29,643

- 4.8 The value of the original errors found were relatively low, however the DWP extrapolation process means that the impact of these values is much increased. A summary of the financial impact is shown below in Table 3 and at Appendix 1.

Table 3 – Financial Impact:

Area of fail	Claims with Errors	Error - £	% Error Rate	LA Extrapolation Value
Non HRA - Eligible Rent	1	£620	0.43%	£2,976
Non HRA - Childcare Costs	2	£2,708	15.48%	£2,708
Non HRA - Earnings	3	£44	0.09%	£44
Non HRA - CY Eligible Error	4	£276	3.39%	£276
LHA Tenure Type	1	£986	0.37%	£17,796
RA - LHA Tenure Type	2	£71	0.02%	£4,861
RA - Eligible Rent	6	£24	0.01%	£105
RA - AIF	11	£159	0.09%	£1,943
RA - Occupational Pension	1	£795	0.34%	£27,246
RA - Capital	8	£900	7.55%	£19,578
RA - CY Eligible Error	5	£834	2.36%	£4,109
RA - PY Eligible Error	5	£558	0.24%	£9,811
RA - Earnings	4	£525	0.19%	£1,957
RA - SE Earnings	18	£21,143	6.47%	£21,143
Total				£114,552

- 4.9 In appendix A consolidated table of table 1, 2, and 3 can be found with the financial impact for Cherwell
- 4.10 When the original subsidy claim was submitted in April 2021 the value of the local authority error overpayments was £96,240, this is below the lower threshold, therefore the associated subsidy was claimed.
- 4.11 As a result of the additional testing and the resulting extrapolations, the value of the local authority error overpayments increased by £114,552 to £210,792, the post audit position is over the upper threshold, therefore the authority must repay the DWP £210,792 due to the loss of subsidy as a result of the local authority error amount exceeding the upper threshold.
- 4.12 During 2021, when this audit was being undertaken, CSN Resources were responsible for administering HB claims on behalf of Cherwell and South Northants, The errors made within 2020/21 can be attributed to the performance of CSN resources and the reliance on temporary resources and lack of quality assurance processes in place.
- 4.13 CSN was disbanded in 2021 and a new in-house Revenues and Benefits team was formed. This split was extremely disruptive, and the required

resources were not available to focus on the audit. This has unfortunately held up the progress on this particular audit.

Improvement plans implemented

- 4.14 An analysis has been carried out on the errors found during the 2019/20 and 2020/21 subsidy audit process and the largest financial impact areas have been the subject of 10 key projects, focusing on key areas of HB that have been identified as the most common fail areas for subsidy. A monthly 10% quality check on all officer's performance is now in place. This will better target training requirements at an individual and team level. The council has also implemented 10 key projects and incorporated ongoing checks with our quality assurance processes which focuses on identified problem areas.
- 4.15 An online Knowledge Hub has been setup which provides the benefits team with up-to-date relevant training slides in key areas of HB and best practice, guidance, and legislation in an easily searchable format. A dedicated subsidy area has been setup to provide the team with the key areas to focus on throughout the year with clear explanations of knock-on financial implication of each.
- 4.16 The council is currently in the process of having the 2021/22 HB subsidy claim audited. This is expected to have a similar level of local authority error and exceed the upper threshold due to the transition from CSN provision to in house provision in November 2021. Once the 2021/22 audit is completed, we will share the outcome of Ernst & Young's findings with members of AARC.
- 4.17 It is hoped that any positive impact of the improvements in controls described above will be seen in the audit for the 2022/23 financial year's Housing Benefit claim but the audit of this is not expected to take place until 2024/25.

5. Alternative Options and Reasons for Rejection

- 5.1 None

6 Conclusion and Reasons for Recommendations

- 6.1 Members are requested to note the contents of this report.

Decision Information

Key Decision	N/A
Subject to Call in	N/A

If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Movement to Local Authority Error
Background Papers	None
Reference Papers	None
Report Author	Sandra Ganpot – Benefit Services and Performance Manager
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Appendix 1 – Movement to Local Authority Error

Non HRA movement to Local Authority Error

Area	Audit		Total Population		Outcome of Sample Testing			Financial Impact
	Sample Count	Sample Value	Claim Count	Total HB paid	Claims with Errors	Error - £	% Error Rate	Local Authority Extrapolated Value
Eligible Rent	80	£145,064	207	£691,986	1	£620	0.43%	£2,976
Childcare Costs	2	£17,499	2	£17,499	2	£2,708	15.48%	£2,708
Earnings	14	£50,836	50	£50,836	3	£44	0.09%	£44
CY Eligible Error	25	£8,148	25	£8,148	4	£276	3.39%	£276

Rent Allowance movement to Local Authority Error

Area	Audit		Total Population		Outcome of Sample Testing			Financial Impact
	Sample Count	Sample Value	Claim Count	Total HB paid	Claims with Errors	Error - £	% Error Rate	Local Authority Extrapolated Value
LHA Tenure Type	48	£268,014	862	£4,809,703	1	£986	0.37%	£17,796
Eligible Rent	80	£288,378	4,648	£24,306,782	2	£71	0.02%	£4,861
AIF	43	£226,847	183	£955,343	6	£24	0.01%	£105
Occupational Pension	45	£174,183	531	£2,158,779	11	£159	0.09%	£1,943
Capital	48	£232,913	1,729	£8,013,472	1	£795	0.34%	£27,246
CY Eligible Error	46	£11,921	853	£259,298	8	£900	7.55%	£19,578
PY Eligible Error	42	£35,330	295	£170,316	5	£834	2.36%	£4,109
Earnings	52	£236,586	872	£4,087,716	5	£558	0.24%	£9,811
SE Earnings	44	£281,298	184	£1,030,066	4	£525	0.19%	£1,957
Passported to Standard	64	£326,671	64	£326,671	18	£21,143	6.47%	£21,143
Total Non HRA & RA								£114,552
Average error rate HRA & RA							1.28%	

This report is public	
Treasury Management Report – Annual Performance Report 2023/24	
Committee	Accounts, Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance (S151), Michael Furness

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2023-24 as required by the Treasury Management Code of Practice.

To demonstrate that all treasury management activities undertaken during the financial year 2023-24 complied with the CIPFA Code of Practice, the council's approved Treasury Management Strategy and that all Prudential Indicators were met during the reporting period.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the contents of this Treasury Management Annual Performance Report.
- 1.2 To recommend the report to Council

2. Executive Summary

- 2.1 In 2012 the council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the council to approve Treasury Management semi-annual and annual reports.
- 2.2 The council's Treasury Management strategy for 2023-24 was approved by full Council on 27 February 2023. The Treasury indicators have been included in this report as per the 2021 CIPFA Treasury Management in the Public Services Code of Practice.

2.3 The council's Capital Strategy covering capital expenditure and non-treasury investments, complying with CIPFA's requirement, was approved by full Council on 27 February 2023. As per 2021 CIPFA Prudential Code for Capital Finance in Local Authorities the Prudential indicators have been attached in Appendix 1.

Implications & Impact Assessments

Implications	Commentary			
Finance	There are no financial implications arising directly from any outcome of this report. Joanne Kaye, Head of Finance (D151), 15 May 2024			
Legal	The presentation of the report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators. Shahin Ismail, Legal Services Manager, 15 May 2024			
Risk Management	It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary. Celia Prado-Teeling, Performance and Insight Team Leader, 17 May 2024			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A
Climate & Environmental Impact				N/A

ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Background

- 3.1 The council has continued to pursue its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and borrowing costs. As at the end of March 2024 the council had borrowing of £181m and investments of £22m – a net borrowing position of £159m (31/03/23: £144m) This change is primarily due to a £17m reduction in surplus cash from government grant balances available to be invested which have subsequently been spent.
- 3.2 It is a statutory duty for the council to determine and keep under review the affordable borrowing limits. During the year ending 31 March 2024, the council has operated within the treasury and prudential indicators set out in the council’s Treasury Management Strategy Statement for 2023/24. The Assistant Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.
- 3.3 The Liability benchmark is a prudential indicator which shows the Capital Financing Requirement, loan requirements and committed loans in a 50-year forecast. The graph below demonstrates that the council is expecting its loans to decrease in line with the Capital Financing Requirement. It also demonstrates that the council is not in an overborrowed position. The shortfall between the Capital Financing Requirement and net loan requirement is made up of internal borrowing from reserves and working capital.

4.3 As a comparison, the table below shows average borrowing rates.

Table 3: High / Low / Average PWLB Rates for 01/04/2023 – 31/03/2024

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

Source: Link

4.4 Interest payable for the full year is just below the budget. Only one loan was secured in 23/24, at the rate of 5.45%, which is below the 1-year average PWLB rate. A full list of current borrowing at 31 March 2024 is shown below:

Table 4: Borrowing

Lender	Principal Borrowed £m	Maturity Date
PWLB 7-year maturity	21	19/10/2024
West Midlands Combined Authority 1-year maturity	15	13/02/2025
PWLB 6-year maturity	6	25/09/2025
PWLB 7-year maturity	6	19/09/2026
PWLB 5-year maturity	10	26/07/2027
PWLB 10-year maturity	10	31/05/2028
PWLB 6-year maturity	5	26/07/2028
PWLB 7-year maturity	10	26/07/2029
PWLB 10-year maturity	6	25/09/2029
PWLB 8-year maturity	10	26/07/2030
PWLB 11-year maturity	6	19/09/2030
PWLB 9-year maturity	16	26/07/2031
PWLB 10-year maturity	15	26/07/2032
PWLB 15-year maturity	5	31/05/2033
PWLB 15-year maturity	5	25/09/2034
PWLB 16-year maturity	5	19/09/2035
PWLB 30-year maturity	5	31/05/2048
PWLB 50-year maturity	25	10/11/2071
TOTAL	181	

4.5 The council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions is it critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the council is not forced into taking borrowings in a particular category that would lock it into an unfavourable borrowing situation. The percentages of loans that need to be refinanced under 12 months has increased to 19.89% as the £21m PWLB loan

taken in 2017 is maturing in October 2024. The medium to long term loans taken in July 2022 will start maturing in July 2027.

Table 5: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	19.89%
12 months and within 24 months	50%	0%	3.31%
24 months and within 5 years	60%	0%	17.13%
5 years and within 10 years	70%	0%	37.57%
10 years and above	80%	0%	22.10%

Investment performance for year as of 31 March 2024

- 4.6 Funds available for investment are on a temporary basis because the council prioritises keeping borrowing to a minimum and only invests surplus funds retained to meet its commitments. The level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 4.7 The council has seen an increase in interest income in line with rises in the Bank of England base rate. The short-dated money market investments have performed better than budgeted throughout this year. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April 23 to March 2024	24 (average)	5.21%	(1.375)	(1.459)	(0.084)
As at 31/03/24	22	5.93%	-	-	-

- 4.8 As a comparison Table 7 below shows average money-market rates keeping in mind that the council has an average investment period of 30 days.

Table 7: Average Investment Rates for the reporting period

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	28/03/2024	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	5.03	4.96	5.02	5.13	5.23	5.25
Spread	1.00	1.01	1.22	1.17	1.33	1.77

*SONIA (Sterling Overnight Index Average) is an interest rate benchmark published by the Bank of England.
Source: Link

- 4.9 While maintaining a balance between security, liquidity and yield the council is always looking for ways to invest sustainably (or green investments). This must be done within the criteria laid out in the approved Treasury Management Strategy with counterparties that meet the council's investment criteria.

The council continues to invest in Standard Chartered Bank's sustainable fixed deposit (aligned to the United Nations' Sustainable Development Goals) while three of the Money Market funds meet the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in Table 8. A full list of current investments is shown in Table 8 below:

Table 8: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Eastleigh Borough Council	3.00	11/04/2024
Bedford Borough Council	2.00	22/04/2024
Babergh District Council	3.00	22/05/2024
West Berkshire District Council	5.00	22/05/2024
<u>Money Market Funds</u>		
Legal & General Investment Management	3.40	Same day
Federated Investors UK	3.00	Same day
Northern Trust Asset Managements	2.27	Same day
CCLA Investment Management Limited	0.02	Same day
Goldman Sachs Asset Management	0.23	Same day
TOTAL	21.92	

- 4.10 Compliance with investment limits are detailed in Table 9 below:

Table 9: Investment Limits

Counterparty	2023/24 Limit £m	Complied?
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes
Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks/Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	15 in total	Yes

- 4.11 The council has set limits for long term Treasury Management Investments in its strategy. This indicator seeks to support control of liquidity risk and reduce the

potential need to have to make an early exit from an investment in order to recover funds. The indicator relates solely to the council's investments for treasury management purposes.

Table 10: Limits for Long Term Treasury Management Investments

	2023/24 Limit set £m	Complied?
Limit on principal invested beyond year end	5	Yes

Non-treasury investment activity

- 4.12 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets that provide a financial return.
- 4.13 As of 31 March 2024, the council holds £102.4m of investments that qualify under the code in the form of shares (£35.6m) and loans (£66.8m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House. This year the council received its first dividend from Graven Hill of £0.5m.
- 4.14 The loan elements of these non-treasury investments generate a higher rate of return than that earned on treasury investments due to the commercial nature of the loans issued. Table 11 below shows the investment position for this reporting period.

Table 11: Non-treasury Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April 23 to March 2024	70.96 (average)	7.04%	(5.070)	(5.649)	(0.579)
As at 31/03/24	66.20	6.21%	-	-	-

Overall performance

- 4.15 The overall performance for the 2023/24 financial year is:

Table 12: Overall Treasury Position

	Budget 23/24 £m	Actual 23/24 £m	Variance to date £m
Borrowing costs	3.779	3.762	(0.017)
Finance lease and other interest	0.253	0.924	0.671
Treasury income	(1.375)	(1.459)	(0.084)
Non-treasury income	(5.070)	(5.649)	(0.579)
Transferred to Reserves	1.447	1.447	0
Total cost/(income)	(0.966)	(0.975)	(0.009)

- 4.16 There were two budget variances worth noting at year end. The variance within Finance Leases and Other Interest relates predominantly to the interest due to be accrued to S106 funds held which was at a higher interest rate than budgeted. This was offset by the unbudgeted dividend from Graven Hill of £0.500m within Non-treasury income.
- 4.17 While the Treasury budget shows that it delivered a small surplus for the year, £1.447m was also transferred to the Market Risk Reserve and the Interest Rate Equalisation Reserve during 2023/24, meaning there was a surplus before approved in-year transfers to reserves on Treasury Management activities of £1.456m.

Interest rate forecast

- 4.18 The council has appointed Link Group as its treasury advisors and part of their service is to assist the council to formulate a view on interest rates. The latest forecast sets out a view that short, medium and long-dated interest rates will be elevated for the next year, as the Bank of England seeks to further reduce inflation. The Medium Term Financial Strategy has been prepared according to these forecasts.

Table 13: Link Forecast Rates published on 25 March 2024

Link Group Interest Rate View	25.03.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

5. Alternative Options and Reasons for Rejection

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

Option 1: To request further information on the performance reported.

6 Conclusion and Reasons for Recommendations

- 6.1 This report details the Treasury Performance for the council for the year ending 31 March 2024. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	N/A

Document Information

Appendices	
Appendix 1	Prudential Indicators
Background Papers	None
Reference Papers	Treasury Management Strategy 2023-2024 Treasury Management 2023-2024 Mid-Year Review Treasury Management Report - Q3 2023/2024 (December 2023)
Report Author	Janet du Preez – Finance Business Partner – Treasury and Insurance
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Appendix 1 – Capital Prudential Indicators

1. Introduction

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The indicators laid out in this appendix are required to help Members understand and evaluate the prudence and affordability of the Council's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

2. Capital Expenditure

This provides a summary of the council's capital expenditure. It reflects matters previously agreed and those proposed for the forthcoming financial periods. The extent to which such expenditure is to be financed will influence how the council's Capital Financing Requirement Indicator (see point 3 below) will change.

Table A1: Capital Expenditure

	Actual 23/24 £m	Estimate 24/25 £m	Estimate 25/26 £m	Estimate 26/27 £m
Service Loans	9.0			
Capital Projects	13.3	26.8	5.8	3.8
New Finance Lease and PFI				
New Projects (not yet approved by Full Council)				
Total Capital Expenditure	22.3	26.8	5.8	3.8
Financed by:				
Capital Receipts (Asset Disposals)			(4.5)	
Capital Receipts (Loan Principal)	(15.1)			
Revenue Contributions				
Grants and other contributions (existing projects)	(5.2)	(10.8)	(1.3)	(1.2)
Grants and other contributions (new projects)				
Finance Lease and PFI liabilities				
Total financing	(20.1)	(10.8)	(5.8)	(1.2)
Net financing need for year	2.1	16.0	0.0	2.6

From this indicator it can be seen that a significant portion of the council's capital expenditure is financed from capital receipts or grants. The following indicators

show that the residual amounts that require financing from the revenue budget are proportionate and affordable.

3. Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the Council's capital expenditure and the revenue or capital resources set aside to finance that spend.

The CFR will increase where capital expenditure takes place and will reduce as the council makes Minimum Revenue Provision (MRP) or otherwise sets aside revenue or capital resources to finance expenditure.

Table A2: Capital Financing Requirement

	Actual 23/24 £m	Estimate 24/25 £m	Estimate 25/26 £m	Estimate 26/27 £m
Opening CFR	238.6	236.3	248.2	243.60
Capital Spend	22.3	26.8	5.8	3.8
Resources used	(20.2)	(10.8)	(5.8)	(1.2)
MRP	(4.4)	(4.1)	(4.6)	(4.9)
Closing CFR	236.3	248.2	243.60	241.3

This indicator shows that the total financing requirement is estimated to stay relatively level across the next three years. Each year the council sets a prudent MRP policy that will set aside revenue resources to finance capital expenditure over the life of the assets.

4. Gross Debt and the Capital Financing Requirement

A council should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

The council should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next two financial years.

If the level of gross borrowing is below the council's capital borrowing need – the CFR – it demonstrates compliance with the requirement of this Indicator.

Table A3: Gross Debt & Capital Financing Requirement

	Actual 23/24 £m	Estimate 24/25 £m	Estimate 25/26 £m	Estimate 26/27 £m
CFR	236.3	248.2	243.60	241.3
Gross borrowing	181.0	185.0	181.0	181.0
Under / (over) borrowing	55.3	63.2	62.6	60.3

This indicator shows that the council is under borrowed, and that debt is only being used to support capital expenditure. Under borrowing indicates that the council has been prudent and used internal borrowing to reduce the interest cost that is associated with external borrowing.

5. Operational Boundary and Authorised Limit

Estimated gross borrowing together with the level of other long-term liabilities are used to reveal the possible level of external debt. This clarifies the council's overall level of possible external debt in comparison to the council's Operational Boundary and Authorised Limit.

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed.

Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the council's expectations of the level at which external debt would not ordinarily be expected to exceed.

Table A4: Estimated Debt, Operational Boundary and Authorised Limit

	24/25 £m
Borrowings	185.0
Internal Borrowing	63.2
Other long-term liabilities	28.7
2024/25 Debt Estimate	276.9
2024/25 Operational Boundary	290
2024/25 Authorised Limit	310

The council continues to have debt below its operational boundary, indicating that the council is effectively managing its debt and cashflows.

6. Financing cost to Net Revenue Stream

This indicator shows the trend in the cost of capital (borrowing and other long-term obligation costs) against the net revenue stream. Funding includes income such as Council tax, Business Rates as well as new homes bonus and revenue support government grants but excludes income from investments.

The forecast is in line with the approved Capital Strategy.

Table A5: Ratio of Financing costs to Net Revenue Stream

	Actual 23/24 £m	Estimate 24/25 £m	Estimate 25/26 £m	Estimate 26/27 £m
Interest costs on existing borrowing	4.0	5.0	4.8	4.9
MRP	4.4	4.1	4.6	4.9
Total Financing Costs	8.4	9.1	9.4	9.8
Funding	28.8	27.0	22.0	19.5
Non-specific grant income	3.0	3.5	0.0	0.0
Net Revenue Stream	31.8	30.5	22.0	19.5
Ratio of Financing costs	26.5%	29.7%	42.9%	50.5%

This indicator shows that the ratio of financing costs to net revenue streams is high, however what this doesn't consider is that a large proportion of the council's financing costs are offset by the interest from on-lending to the council's subsidiaries, and income generated by the commercial assets acquired as part of the regeneration programme. See item 7 below for detail on this.

7. Net Income from Service Investment Income to Net Revenue Stream

The next indicator is the Net income from Commercial and Service investments Income to Net Revenue Stream. This Indicator shows the financial exposure of the council to the loss of its non-treasury investment income.

The council does not hold any commercial investments. All investments that are not treasury related are service investments, the majority relating to housing and regeneration.

Table A6: Ratio of Investment Income to Net Revenue stream

	Actual 23/24 £m	Estimate 24/25 £m	Estimate 25/26 £m	Estimate 26/27 £m
Income from long term investments	5.1	4.5	4.5	4.6
Income from assets	4.4	5.4	7.9	7.9
Total Investment income	9.5	9.9	12.4	12.5
Funding	28.8	27.0	22.0	19.5
Non-specific grant income	3.0	3.5	0.0	0.0
Net Revenue Stream	31.8	30.5	22.0	19.5
Ratio of investment income	29.9%	32.4%	56.6%	63.9%

The last two ratios do detail, as much of the debt was incurred with the expectation of non-treasury investment income that would in part offset the financing costs. Deducting the Ratio of net income from Service Investments from the Ratio of Financing costs reveals the affordability ratio.

Table A7: Affordability Ratio

	Actual 23/24	Estimate 24/25	Estimate 25/26	Estimate 26/27
Ratio of Financing costs	26.5%	29.7%	42.9%	50.5%
Ratio of Investment income	29.9%	32.4%	56.6%	63.9%
Affordability ratio	(3.4%)	(2.7%)	(13.6%)	(13.5%)

There is no established Local Authority benchmark for this ratio as activities differ widely. Interest earned on Treasury investment is not taken into account in either of the calculations and therefore it is not unexpected to see a positive percentage when the two are netted off against each other.

The affordability ratio shows that the council is receiving a small return on its investments in 23/24 and is forecasting a similar return in 24/25. In the next two financial years the return is forecast to increase based on assumptions around reducing void tenant costs.

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This report is public	
Annual Governance Statement 2023-24	
Committee	Accounts, Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director Law and Governance and Monitoring Officer, Shiraz Sheikh

Purpose of report

The report sets out the Annual Governance Statement (AGS) for the Council for 2023-24 for approval. The AGS summarises the key governance issues for the Council and the actions required to address these. The AGS is required to be approved by those charged with governance, the Accounts Audit & Risk Committee, under the Accounts and Audit Regulations 2015.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To approve the Annual Governance Statement 2023-24.
- 1.2 To authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

2. Executive Summary

- 2.1 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

Implications & Impact Assessments

Implications	Commentary
Finance	The are no financial implications arising directly from this report. Joanne Kaye, Head of Finance, 20 May 2024

Legal	Completion and approval of the AGS is required by Regulation 6(1) (b) of the Accounts and Audit England Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an AGS. The AGS, attached, if approved and signed will form part of the Statement of Accounts. Failure to comply would result in the Council not meeting its statutory requirements. Shiraz Sheikh, Assistant Director Law and Governance and Monitoring Officer, 19 May 2024			
Risk Management	There are no risk implications arising directly from this report. However, as per paragraph 1 in section 5 the approval of this report will avoid the risk of not being compliant with Accents and Audit Regulations 2015. Celia Prado-Teeling, Performance & Insight Team Leader, 20 May 2024			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
Climate & Environmental Impact		x		Not applicable
ICT & Digital Impact		x		Not applicable
Data Impact		x		Not applicable
Procurement & subsidy		x		Not applicable
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	Corporate Leadership Team			

Supporting Information

3. Background

- 3.1 Every year the Accounts, Audit and Risk Committee receives the annual governance statement. The statement is required under the account and audit regs and is published with the council's accounts.

4. Details

- 4.1 The Council's AGS for 2023-24 is attached at Appendix 1. It outlines for the Council:
- The scope of governance responsibilities.
 - The purpose of the governance framework.
 - A description of the governance framework against the CIPFA/SOLACE Framework for "Delivering Good Governance in Local Authorities".
 - Arrangements for reviewing the effectiveness of the governance framework.
 - Governance issues that need to be addressed.
- 4.2 The preparation of the Statement has built on previously established arrangements, which involves the collating of information from a number of sources, both internal and external. The information is analysed, and a draft Statement is produced, discussed with key officers, and any amendments identified are then made.
- 4.3 To support the Annual Governance review, assistant directors are required to complete an assurance statement in relation to systems and processes operational within their areas during the year. These are signed off by CLT. The Statements demonstrate that Directorates have evaluated and assessed their internal control environment.
- 4.4 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its External Auditors. The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.
- 4.5 One of the assurance statements the Council receives is the annual opinion of the Chief Internal Auditor in respect of the control framework. The opinion of the Chief Internal Auditor in respect of audit work completed in 2023/24 gave satisfactory assurance on the internal control environment and the arrangements for governance, risk management and control.

5. Alternative Options and Reasons for Rejection

- 5.1 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.

6 Conclusion and Reasons for Recommendations

- 6.1 The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement and for it to be approved by those charged with governance, the Accounts Audit & Risk Committee.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Annual Governance Statement 2023/24
Background Papers	None
Reference Papers	None
Report Author	Shiraz Sheikh - Assistant Director Law and Governance and Monitoring Officer.
Report Author contact details	shiraz.sheikh@cherwell-dc.gov.uk

Annual Governance Statement 2023/2024

Shiraz Sheikh
Monitoring Officer/
Assistant Director Law & Governance

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INTRODUCTION

The CIPFA/SOLACE Delivering Good Governance in Local Government (2016) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- its business is **conducted** in accordance with the **law and proper** standards
- public money is safeguarded and properly **accounted** for, and
- **resources** are used **economically, efficiently and effectively to deliver agreed priorities and benefit local people.**

The Council also has a **duty** to:

- make arrangements to **secure continuous improvement** in the way in which its functions are exercised
- put in place **proper arrangements for the governance of its affairs**, and
- implement and maintain effective processes of **internal control**, including appropriate arrangements to manage risk.

The Council's Accounts Audit & Risk Committee (AARC) reviews governance arrangements, audit reports and risk registers. Their role is to recommend improvements or interventions if expected performance is not being achieved, or gaps in current governance arrangements have been identified. The Overview and Scrutiny Committee (OSC) also scrutinises performance reports as part of its work programme. Budget Planning Committee is also involved in looking at the budget process.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. The governance framework enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money. Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

THE KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK AT CHERWELL DISTRICT COUNCIL

The Council operates an executive based system of governance with a Leader. The Executive takes strategic key decisions with officers responsible for day to day decisions. The Executive is made up of a Leader and 9 other councillors. The leader then appoints individual councillors (portfolio holders) to other positions in the Executive. Their remit includes obtaining assurance that Annual Delivery Plan priorities, and the Budget and Policy Framework approved by Council each year, are delivered in their relevant areas.

The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

We have various layers of management within the organisation and the management teams each play an important role in the governance framework.

The corporate leadership team (CLT), comprises the Head of Paid Service, Corporate Directors, Monitoring Officer and S151 Officer. CLT meets on a weekly basis. The extended leadership team (ELT) comprises the CLT and Assistant Directors. ELT meets on a monthly basis and are programmed as a series of sessions to focus on strategic issues, projects and programmes and health of the organisation.

The council has two wholly owned companies – Graven Hill and Crown House.

Graven Hill Village Developments was established in 2014. It is an ambitious project aimed at disrupting the market and creating innovative solutions to housing supply issues. The aim of Graven Hill is a large scale self-build community within a development of up to 1,900 new homes. It will also provide commercial space, a nursery, a primary school and health hub, continuing to create new jobs in the locality.

The Crown House apartments project was initiated to drive economic and social regeneration. The initiative has improved community safety, and provided housing in Banbury town centre, comprising 50 apartments and one commercial unit.

The Council commissioned an independent review of the governance arrangements for Graven Hill, the recommendations arising from it were reported to the Shareholder Committee in July 2023 with the action plan agreed with the members. The action plan is regularly reviewed by the Committee and progress is tracked.

ANNUAL PLANNING PROCESS

The Council's Corporate Plan sets the Council's future priorities and objectives over 5 years . the current priorities are as follows:

Housing that meets your needs

Supporting environment sustainability

An enterprising economy with strong and vibrant local centres

Healthy, resilient and engaged communities.

The annual delivery plan sets out the key projects for delivering the above priorities on an annual basis. The new delivery plan was agreed in February 2024.

The Service Plans informed by the service set out how each service is working towards the annual delivery plan and the above priorities.

The framework also sets out the council's golden thread – how its annual priorities are cascaded down through the organisation to individual work plans . Progress towards these priorities is

regularly reviewed and reported to the Executive and OSC. Performance monitoring includes key Indicators, monthly measures and targets.

DECISION MAKING

There is a Forward Plan on a regularly basis for all key decisions.

All meetings are held in public and are webcast and available to watch after the event.

Decision are recorded on the Council website

Decision are supported by officer reports which are open to the public unless they qualify as legally “exempt” from publication.

Decisions are also subject to call-in to OSC.

Risk Management

Risk registers identify operational and strategic risks.

Key risks are considered by Directorate Management Teams.

Strategic risks are reported to the Executive and AARC quarterly and overseen by Corporate Leadership Team

Corporate Leadership Team (CLT)

CLT are responsible for the overall management of the Council

The Head of Paid Service is the Chief Executive who is responsible for all Council staff and for leading CLT.

The Corporate Directors lead the majority of services which are delivered to the public with the Chief Executive.

The Monitoring Officer is the Council’s Assistant Director of Law, Governance and Procurement who is also responsible for ensuring legality and promoting high standards of conduct.

The Council’s Assistant Director of Finance is the Council’s S151 Officer/Chief Finance Officer and is responsible for safeguarding the Council’s financial position and ensuring value for money.

There is also a statutory officer group with set objectives that meets to monitor governance issues.

FINANCE

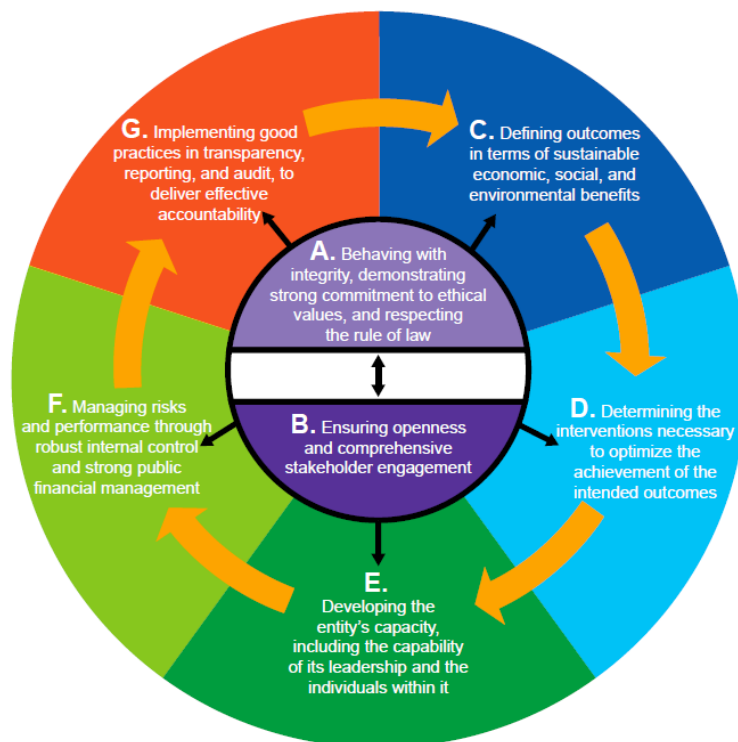
A new Medium-Term Financial Strategy was approved by Council in February 2024 to cover the five years 2025/26 – 2028/29. The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2024/25 budget and ensure that the Council’s finances are robust and sustainable over the medium term or act as an early warning system of a gap in future years

between forecast expenditure and resources which the Council must address, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

The Council has a robust approach to the use of reserves with any changes in uses of reserves from budgeted levels requiring approval in line with the Council's reserves policy. The S151 Officer carries out a risk assessment of general balances as part of the budget setting process and issues an overall opinion on the level of reserves via their S25 statement.

ARRANGEMENTS FOR GOVERNANCE

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016.



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

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

The Council implemented new format of report helps to assist with lawful decision making and contains legal and financial implications alongside impacts assessments for equality act, environmental , procurement and subsidy control to assist the decision maker in taking all relevant information into account when making a decision.

The Council has adopted codes of conduct for both Officers and Members which facilitates the promotion, communication and embedding of proper standards of behaviour. The Members Code of Conduct is based on the Local Government Association model code which has the benefit of it being consistent across the spectrum of County, District and Parish/Town councils and makes it easier to administer.

The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Monitoring Officer has also setup a Constitution Review Group working with members across the political spectrum to review the Constitution.

B. Ensuring openness and comprehensive stakeholder engagement;

The Council consults regularly with stakeholders, taxpayers and service users. The letstalk.cherwell.gov.uk is the consultation website and enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. It also provides feedback opportunity for stakeholders, taxpayers and service users. In addition, a number of different groups and forums are in place to represent local views on a range of subjects including health and wellbeing and community safety.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

The Annual Delivery Plan sets out how the Council aims to work in partnership to achieve its agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners. The Medium-Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.

The Council has implemented a robust procurement strategy for all its procurement activities in accordance with the law and the Council's Contract Procedure Rules. The Social Value outcomes are included as part of the Council's procurement process.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes;

The Executive is responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. The Projected Outturn, leadership risk register and performance against agreed key performance indicators (KPIs) reports to the Executive summarise the forecast financial outturn position each month against budget and delivery of agreed savings targets. These are also considered by CLT each month. These elements of the report are reviewed quarterly by the Budget Planning Committee and Accounts Audit and Risk Committee and the Overview and Scrutiny Committee respectively.

E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

Maximising capacity by working collaboratively is a key component of the Annual Delivery Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Human Resources and Development team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

F. Managing risks and performance through robust internal control and strong public financial management;

The Council's Monitoring Officer has formed the Corporate Oversight and Governance Group (COGG). The primary purpose of the COGG is to ensure good governance and decision-making processes, effective risk management, ensuring and improving value for money, effective internal controls and ensuring transparency and accountability. It also reviews the Governance Dashboard that has been developed by the MO periodically.

The COGG is an internal officer group consisting of the Corporate Director (Resources) as the responsible chair, Monitoring Officer, the S151 Officer, Chief Internal Auditor, Deputy S151 Officer, Head of Legal & Democratic/ Deputy Monitoring Officer (when in post).

For Council Companies there is a separate Companies Governance & Oversight Group which is led by the Chief Executive and supported by the Monitoring Officer, Corporate Director Resources, S151 Officer together with relevant company officers.

The Leadership Risk Register provides a high-level overview of key risks which are reported to CLT and Executive on a monthly basis and AARC on a quarterly meeting. Financial Procedure Rules, Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit have a programme of work designed to assess how this framework operates in practice and report to the Accounts, Audit and Risk Committee.

Procurement strategy for individual procurements act as a lever for cascading corporate priorities down to services and capital projects that are delivered through commercial partners. Procurement Strategy approval process has been developed to provide a system of robust internal control and ensure best value is achieved through all significant contract awards.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Public questions are allowed at Executive, Committees and Council meetings.

The Council publishes an Annual Financial Report (the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Accounts Audit and Risk Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.

REVIEW OF EFFECTIVENESS

Internal Audit

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Internal Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with governance about the quality and effectiveness of the governance framework and systems of internal control. The internal audit team have completed eight internal audits and three grant certifications, the outcomes are reported to the Accounts, Audit & Risk Committee.

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.

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 and reported to the Accounts, Audit & Risk Committee. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This was undertaken in November 2023 and the results were reported to the Accounts, Audit & Risk Committee in January 2024. The assessment concluded that Internal Audit **fully conforms** with PSIAS, with no recommendations or actions required.

The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2024, 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.

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.

The Council agrees an Annual Plan for the Counter-Fraud Service each year. This is presented to the July meeting of the Accounts, Audit and Risk Committee, supporting the Council's Anti-Fraud and Corruption Strategy with updates taken throughout the year. The Counter-Fraud team's purpose is to adhere and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The key objectives of the Counter-Fraud Strategy for 2023/24 were:

- **Govern:** Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.
- **Acknowledge:** Understand fraud risk and maintain a robust anti-fraud response.
- **Prevent:** Prevent and detect fraud taking place against the organisation, using proactive work and data analysis.
- **Pursue:** Carry out fraud investigations, apply sanctions to offenders and recover losses.
- **Protect:** Recognising the harm that fraud can cause in the community.

For the period April 2023 – March 2024, 54 cases were opened. 50 cases were closed, and 4 cases remain open. Of the 50 cases closed, 36 were unproven. The 14 proven cases all resulted in Single Person Discount removals.

Financial Management Code

A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) (FM Code) is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Since April 2021 authorities have been expected to work towards full compliance of the FM Code. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. As such, Annex 1 sets out the outcomes of the Council's latest self- assessment of compliance with the FM Code. 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.

Actions

Significant actions identified in the preceding years AGS have now been completed.

PEER REVIEW - PROGRESS FEEDBACK

LGA Corporate Peer Challenge (CPC) team noted that a variety of activity has taken place across the breadth of the Council's operations, including progressing work in response to recommendations from the CPC. This has been against a backdrop of significant change. Notably, following the May 2023 elections the council moved to no overall control, coalition arrangements were not

forthcoming and as a result the Conservative Group were able to form a minority administration. It noted that both members and officers appear to have handled the move to no overall control well. A comprehensive member development programme was delivered for new members and a concerted effort has been applied to delivering an increased number of briefings for political group leaders.

CPC team further noted the Council is in the process of delivering a necessary organisational transformation to deliver the council's Business Plan and the Medium-Term Financial Strategy (MTFS).

However CPC highlighted the areas where further work is required:

- A medium-term vision is required which will inform the target operating model for the council and act as the golden thread to inform what the asset review and transformation looks like.
- The council will need to develop a plan to ensure that it focuses the delivery of its services within the resource envelope available to it if a phased reset of business rates income is implemented and significant resource reductions materialise.
- To achieve savings which resemble 21 per cent of the revenue budget by 2025/26 the council needs to accelerate its delivery.
- Consider developing a commercial strategy in line with the new asset strategy as these will be complementary documents. Both should inform elements of the transformation strategy and strategic decisions on key assets.

GOVERNANCE SELF ASSESSMENT

Annual Assurance Statements from the Chief Executive, Corporate Directors and Assistant Directors in respect of governance and internal controls for their respective areas, confirm that expected governance arrangements have been in place throughout the year. They have also confirmed that Codes of Conduct, Financial regulations and other corporate processes have operated as expected by undertaking self-assessments of governance arrangements. The themes arising from the self assessment are also reflected in the conclusion below.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The following items are noted for improvement in 2024/2025:

- Review focus on transformation and identify work programmes with savings.
- Ensure reports commissioned for transformation projects have take into account financial implications and have clear actions plans.
- Establishing Corporate Programme office type arrangements to deliver corporate projects and transformation with project management methodology.

- Develop Workforce Strategy to address key staff vacancies in key services with staff development objectives.
- Update on the implementation of the Planning Improvement Plan following three different service review reports.
- Devise a work programme arising from the Digital Futures Strategy 2022 – 2025.
- Ensure understanding of the Council’s governance at all levels including members and officers. This is to include roles and responsibilities and scheme of delegation.
- Ensure Implementation of Procurement Act 2023 effective from October 2024.
- Addressing issues identified by Internal Audit as requiring improvement in a timely manner.
- Ensure further improvements on Information Governance by setting up as a corporate project.
- Ensure Health and Safety requirements are properly understood for those working in the office and remotely.
- Implementation of the new waste regime and extended producer responsibility.

Other governance outcomes are shown below:

- Nil reports issued by the S151 Officer or the Monitoring Officer.
- The MO received 27 complaints about member conduct in 2023/ 2024. 19 were dismissed at initial stage with 2 offered an informal resolution. No further action was taken in 6 complaints due to members concerned resigning from serving as a councillor.
- The Local Government and Social Care Ombudsman upheld no complaint out of total 7 received.

STATEMENT OF OPINION

It is our opinion that the Council’s governance arrangements in 2023/24 were sound and provide a robust platform for achieving the Council’s priorities and challenges in 2024/25. It is our opinion that our ability to maintain sound governance during the past year, has been effective.

Gordon Stewart

Chief Executive (from 10 January 2024)

Cllr Barry Wood

Leader of the Council (until 22 May 2024)

Dated:

This report is public	
Audit Completion Certificates 2020/21 and 2021/22	
Committee	Accounts, Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

To receive the audit completion certificates for the years 2020/21 and 2021/22.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the formal completion of the audits for the years ended 31 March 2021 and 31 March 2022 and to note the associated audit completion certificates (appendices 1 and 2).

2. Executive Summary

- 2.1 When giving their audit opinions for 2020/21 and 2021/22, the external auditors for those years, Ernst & Young LLP, indicated that they could not yet formally conclude the audit and issue an audit certificate. This could not be done until the National Audit Office, as group auditor for the Whole of Government Accounts, confirmed that no further assurance work was required from Ernst & Young LLP.
- 2.2 Ernst and Young LLP have now received that confirmation from the National Audit Office. They have therefore issued the audit completion certificates for 2020/21 and 2021/22, formally concluding the audit for those years. The certificates are included as appendices 1 and 2 of this report for the committee to note.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications arising directly from this report. Michael Furness, Assistant Director of Finance, 17 May 2024
Legal	There are no legal implications arising directly from this report.

	Shahin Ismail, Legal Services Manager, 17 May 2024			
Risk Management	There are no risk management implication arising directly from this report. Celia Prado-Teeling, Performance Team Leader 17 May 2024			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				Not Applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Alternative Options and Reasons for Rejection

3.1 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.

4 Conclusion and Reasons for Recommendations

4.1 This report is to update members on the completion of the 2020/21 and 2021/22 audits. This is for information only, and members are therefore recommended to note the report and audit certificates in appendices 1 and 2.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Audit Completion Certificate 2020-21
Appendix 2	Audit Completion Certificate 2021-22
Background Papers	N/A
Reference Papers	2021/22 Final Audit Results Report – taken to AARC on 20 March 2024 Final 2020/21 Audit Results Report – taken to AARC on 16 March 2022
Report Author	Alex Rycroft, Strategic Business Partner
Report Author contact details	Alex.Rycroft@cherwell-dc.gov.uk 01295 221 541

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**AUDITORS CERTIFICATE WHERE THE OPINION PREVIOUSLY ISSUED IN
ADVANCE OF CLOSURE OF THE AUDIT**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHERWELL
DISTRICT COUNCIL**

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2021 issued on 14 March 2022 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Cherwell District Council and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Certificate

Delay in certification of completion of the audit

In our report dated 14 March 2022, we explained that we could not formally conclude the audit and issue an audit certificate until we had completed the work necessary to issue our assurance certificate in respect of the Authority's Whole of Government Accounts consolidation pack. This assurance statement has now been issued and the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Cherwell District Council.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of Cherwell District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
14 May 2024

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**AUDITORS CERTIFICATE WHERE THE OPINION PREVIOUSLY ISSUED IN
ADVANCE OF CLOSURE OF THE AUDIT**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHERWELL
DISTRICT COUNCIL**

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2022 issued on 7 March 2024 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Cherwell District Council and Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Certificate

Delay in certification of completion of the audit

In our report dated 7 March 2024, we explained that we could not formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Cherwell District Council. This confirmation has now been received.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of Cherwell District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
14 May 2024

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This report is public.	
External Audit Plan 2023/24 – Bishop Fleming	
Committee	Accounts, Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

To receive the External Audit Plan for 2023/24 from the Council’s external auditors, Bishop Fleming LLP.

1. Recommendations

The Accounts, Audit and Risk Committee resolves to:

- 1.1 Note the External Audit Plan for 2023/24.

2. Executive Summary

- 2.1 The Council’s external auditors, Bishop Fleming, have provided their plan for the 2023/24 external audit for members to note and provide an opportunity for discussion.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications arising directly from this report. Michael Furness, Assistant Director of Finance, 14 May 2024
Legal	There are no legal implications arising directly from this report. Alison Coles, Legal Services Operations Manager, 16 May 2024
Risk Management	There are no risk management implication arising directly from this report. Celia Prado-Teeling, Performance Team Leader, 14 May 2024

Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				Not Applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Background

- 3.1 Bishop Fleming have been appointed as the Council's external auditor by Public Sector Audit Appointments for 2023/24 – 2027/28. Under the auditing standards auditors are required to provide certain communications to those charged with

governance. The audit plan for 2023/24 is part of these required communications, and covers the auditors' responsibilities in relation to the audit and the planned scope and timing of the audit.

4. Details

- 4.1 Bishop Fleming have provided the Council with their draft Audit Plan (attached as Appendix 1) which sets out how they intend to carry out their responsibilities as our auditor. The purpose of the report is to provide the Accounts, Audit & Risk Committee with a basis to review the proposed audit approach and scope for the 2023/24 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that the audit is aligned with the Committee's service expectations.
- 4.2 This Audit Plan summarises the initial assessment of the key risks driving the development of an effective audit for the Council and outlines the planned audit strategy in response to those risks.
- 4.3 Bishop Fleming welcome the opportunity to discuss their report with the Committee, as well as to understand whether there are other matters which the Committee consider may influence their audit.

5. Alternative Options and Reasons for Rejection

- 5.1 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. Members may, however, may wish to request further information from Council officers and Bishop Fleming.

6 Conclusion and Reasons for Recommendations

- 6.1 This report is to update members on the planning for the external audit for 2023/24. This is for information only, and members are therefore recommended to note the report and provide comments on the External Audit Plan.

Decision Information

Key Decision	N/A
Subject to Call in	N/A

If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	External Audit Plan for the year ended 31 March 2024
Background Papers	None
Reference Papers	None
Report Author	Alex Rycroft, Strategic Business Partner
Report Author contact details	Alex.rycroft@cherwell-dc.gov.uk , 01295 221 541

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Appendices

1. Required communications with the Accounts, Audit and Risk Committee.

Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2023/24 External Audit Plan now, as it is our intention to issue your Audit Plan as close the year-end to which it relates, to ensure that there is timely discussion of the key areas of focus. We are aware that your 2022/23 external audit has not yet completed, so there may be some further changes to our approach, depending on the outcomes from that process. We will communicate any changes with you, as our audit progresses.

Craig Sullivan – Key Audit Partner

T: 01752 234324

E: csullivan@bishopfleming.co.uk

1. General Audit Information

1.1. Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with those charged with governance.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

At the time of writing this Plan, there are a number of consultations ongoing. A Joint statement explaining the package of measures and how the various elements are intended to interact has been published on the Department for Levelling Up, Housing and Communities website. The outcomes of these consultations may impact on our audit plan and we will discuss any changes to our proposed work and timetable with management and the Audit Committee as events become clearer.

1.2. Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to the Accounts, Audit and Risk Committee, which will set out our findings.

In our Auditor's Report we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and
- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our Auditor's Report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor's Annual Report to the Accounts, Audit and Risk Committee. This will provide a commentary on the Council's arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

1.3. Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
Cherwell District Council - Group	2% of gross expenditure This equates to £2,337k
Cherwell District Council	2% of gross expenditure This equates to £1,982k

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

1.4. Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit. We understand that CIPFA LASAAC will be consulting on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years. This may affect the significant risks we have currently identified and the approach we have proposed to address these risks. This is our initial assessment of audit risk based upon our work completed to date. Our conclusions may change, and additional risks may be identified as we complete additional planning procedures. We will provide the Audit and Governance Committee details of any changes in our risk assessments.

Risk	Audit Approach
Management override of controls (required under the ISAs)	<p>We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will:</p> <ul style="list-style-type: none"> • Review the reasonableness of accounting estimates and critical judgements made by management; • Test journals with a material impact on the results for the year; and • Consider a sample of other journals with key risk attributes.

Risk	Audit Approach
	<p>In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.</p>
<p>Fraud in revenue recognition (required under the ISAs)</p>	<p>There is also a rebuttable presumption under auditing standards that revenue may be misstated due to improper recognition of revenue. This presumption may be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud in revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including Cherwell District Council, mean that all forms of fraud are seen as unacceptable.
<p>Fraud in expenditure recognition</p>	<p>Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant. We therefore need to consider whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We do not consider this to be a significant risk for Cherwell District Council because:</p> <ul style="list-style-type: none"> • Expenditure is well controlled, and the Council has a strong control environment; and • The Council has clear and transparent reporting of its financial plans and financial position.
<p>Valuation of land and buildings</p>	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and

Risk	Audit Approach
	<ul style="list-style-type: none"> Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of investment properties	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; Write to the valuer to confirm the basis on which the valuation was carried out; Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; Review the appropriateness of assumptions used in the valuation; Review accuracy and completeness of information provided to the valuer, such as floor areas; Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of the pension fund net liability	<p>There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will:</p> <ul style="list-style-type: none"> Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; Consider the accuracy and completeness of the information provided to the actuary; Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; Carry out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and Obtain assurances from the auditor of XXX Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will report back to you as part of our completion audit work, on the outcome of our work addressing these areas.

Value for money arrangements

As part of our planning work, we have also considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on.

We have not identified any risks of significant weakness at this stage.

We will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

1.5. Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan, our initial view is that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly. In the current year, we anticipate that our audit approach will focus on substantive procedures.

1.6. Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

1.7. Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

1.8. Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by the Council's previous auditor in respect of deficiencies reported in their ISA260 Audit Report.

2. The Audit Team

Responsible individual:
Email:

Craig Sullivan
csullivan@bishopfleming.co.uk

Manager:
Email:

Mark Bartlett
mbartlett@bishopfleming.co.uk

3. Timetable

A full audit timetable has been included below:

Cherwell District Council YEAR END: 31 March 2024	
Date	Requirement
Jan – May 2024	<ul style="list-style-type: none">• Meetings with management• Meetings with Chair of Audit Committee
Jan – May 2024	Planning procedures and interim audit work undertaken, examining systems and controls in place, and completion of early substantive testing.
Autumn 2024 - TBC	Review of predecessor auditor's files Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.
TBC	Audit completion meeting with year-end draft Audit Completion Report
TBC	Audit Committee
TBC	Accounts to be approved.

4. Audit Fees

Cherwell District Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of Cherwell District Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2023/24	£175,188
Proposed fee variations:	
ISA 315	£TBC
Group audit procedures	£TBC

The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in [PSAA's Statement of Responsibilities document](#)); and
- reflect as far as possible the predecessor auditor's previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit, Mark Bartlett will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the Chief Finance Officer/s.151 officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

ISA 315

The proposed fee variation in relation to ISA 315 is in respect of a significant change to auditing standards that applied for the first time for your audit for the year ended 31 March 2023. Due to the timing of the tender process, the impact of this has not been built into the audit scale fees.

In summary the main changes were as follows:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.
- The introduction of a new spectrum of risk, at the higher end of which lie significant risks.
- The requirement for "sufficient, appropriate" evidence to be obtained from risk assessment procedures as the basis for the risk assessment.
- The introduction of more requirements in relation to gaining an understanding of the entity's IT environment, including requirements to identify and assess risks of material misstatement arising from the use of IT related to the IT applications and other aspects of the entity's IT environment.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

5.1. Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

5.2. Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. There are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

5.3. Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Accounts, Audit and Risk Committee

Under the auditing standards, there are certain communications that we must provide to the Accounts, Audit and Risk Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



This document is confidential to: [Cherwell District Council](#)

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Bishop Fleming is a trading name of Bishop Fleming LLP, a limited liability partnership registered in England and Wales No. OC391282, and Bishop Fleming Bath Limited, a limited company registered in England and Wales No. 07869428. Registered offices: Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon, EX1 3QS. A list of members' names for the LLP is available at the above address.



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Accounts, Audit and Risk Committee

Work Programme 2024/25

Date	Agenda Items
29 May 2024	AARC Training
29-May-24	Treasury Management Outturn 2023/24 Housing Benefit Subsidy Audit 2020/21 Whistleblowing Policy Audit Plan 2023/24 Annual Governance Statement Annual Report of the Chief Internal Auditor 2023/24 Internal Audit Work Programme 2024/25 Work Programme Update
17-Jul-24	Risk Monitoring Report - Q4 - March 2024 Counter Fraud Work Programme 2025/26 Treasury Management Q1 Update Support to Subsidiaries Draft Statement of Accounts 2023/24 Work Programme Update
25-Sep-24	Risk Monitoring Report - Q1 2024/2025 External Audit Opinion 2022/23 External Audit opinion 2023/24 LGSCO Ombudsman Annual Report Work Programme Update <i>Treasury Training</i>
20-Nov-24	Risk Monitoring Report - Q2 2024/25 Local Code of Corporate Governance Counter Fraud Update Internal Audit Progress Update Financial Management Code Update Treasury Management Q2 Update Work Programme Update
15-Jan-25	Internal Audit Progress Update Counter Fraud Update External Audit update Capital and Investment Strategy and Draft Treasury Management Strategy 2024/25 AGS 2023/24 Actions Update Work Programme Update <i>TBC: Chief Internal Auditor - Private Session</i> <i>TBC: External Auditor - Private Session</i>
19-Mar-25	Treasury Management Q3 Update Housing Benefit Risk Based Verification Policy Counter Fraud Work Programme 2025/26 Internal Audit Work Programme 2024/25 Annual Report of AARC External Audit: Final Audit Results Report 2023/24, final letter of rep & final statement of accounts Accounting Policies 2024/25 Work Programme Update

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