

**Committee:** Accounts, Audit and Risk Committee  
**Date:** Wednesday 5 December 2012  
**Time:** 6.30 pm  
**Venue:** Bodicote House, Bodicote, Banbury, OX15 4AA

### Membership

<b>Councillor Trevor Stevens (Chairman)</b>	<b>Councillor Mike Kerford-Byrnes (Vice-Chairman)</b>
<b>Councillor Andrew Beere</b>	<b>Councillor Colin Clarke</b>
<b>Councillor Andrew Fulljames</b>	<b>Councillor Lawrie Stratford</b>
<b>Councillor Rose Stratford</b>	<b>Councillor Barry Wood</b>

## 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. **Minutes** (Pages 1 - 8)

To confirm as a correct record the Minutes of the meeting of the Committee held on 19 September 2012.

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

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

5. **Urgent Business**

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

**6. External Audit Progress Update**

Ernest Young will provide a verbal update to the Committee.

**7. Internal Audit Progress Report (Pages 9 - 18)**

Report of Chief Internal Auditor.

**Summary**

This report provides the Committee with an update of the work of Internal Audit since the last meeting.

**Recommendations**

The Accounts, Audit and Risk Committee is recommended:

- (1) to consider and approve the report.

**8. Risk Management - Second Quarter Review (Pages 19 - 34)**

Report of the Corporate Performance Manager.

**Summary**

To update the Committee on the management of Strategic, Corporate and Partnership risks during the second quarter of 2012/13 and highlight any emerging issues for consideration.

**Recommendations**

The Accounts, Audit and Risk Committee is recommended:

- (1) to review the Quarter 2 Strategic, Corporate and Partnership Risk Register.

**9. Treasury Management Report (Pages 35 - 38)**

Report of the Head of Finance and Procurement.

**Summary**

To receive information on treasury management performance and compliance with treasury management policy for 2012/2013 for the period to 31<sup>st</sup> October 2012 as required by the Treasury Management Code of Practice.

**Recommendations**

The Accounts, Audit and Risk Committee is recommended:

- (1) to note the contents of the report.

**10. External Audit Annual Certification of Claims Report**

\*\* This report is to follow as it is currently being finalised by Ernest Young\*\*

**11. Housing Benefit and Council Tax Benefit Claims for 2010/11 and 2011/12**  
(Pages 39 - 42)

Report of the Head of Finance and Procurement.

**Summary**

The purpose of this report is to update Members on the actions taken following the audit of the Housing Benefit and Council Tax Benefit Claim for 2010/11 and to make Members aware of the outcome of the audit of the Claim for 2011/12.

**Recommendations**

The Accounts, Audit and Risk Committee is recommended:

(1) to note the contents of the report.

**12. Review of the Anti-Fraud and Anti-Corruption Strategy**

Benefits Investigation Manager will provide a verbal update to the Committee.

**13. Work Programme** (Pages 43 - 44)

To review and note the Committee work programme.

**14. Exclusion of Public and Press**

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

3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are reminded that whilst the following item has been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers. Should Members decide not to make a decision in public, they are recommended to pass the following recommendation:

“That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.”

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

## **Information about this Meeting**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwellandsouthnorthants.gov.uk](mailto:democracy@cherwellandsouthnorthants.gov.uk) or 01327 322121 prior to the start of the meeting.

### **Declarations of Interest**

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

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

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

### **Evacuation Procedure**

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

### **Access to Meetings**

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

### **Mobile Phones**

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

### **Queries Regarding this Agenda**

Please contact Gavin Lane, Democratic and Elections  
[gavin.lane@cherwellandsouthnorthants.gov.uk](mailto:gavin.lane@cherwellandsouthnorthants.gov.uk), 01327 322121

**Sue Smith**  
**Chief Executive**

Published on Tuesday 27 November 2012

# Agenda Item 3

## Cherwell District Council

### Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 19 September 2012 at 6.30 pm

Present: Councillor Trevor Stevens (Chairman)  
Councillor Mike Kerford-Byrnes (Vice-Chairman)

Councillor Andrew Beere  
Councillor Colin Clarke  
Councillor Andrew Fulljames  
Councillor Lawrie Stratford  
Councillor Rose Stratford  
Councillor Barry Wood

Also Present: Maria Grindley, Audit Commission  
Alan Witty, Audit Commission  
Charlotte Blisworth, PricewaterhouseCoopers LLP

Officers: Martin Henry, Director of Resources / Section 151 Officer  
Karen Curtin, Head of Finance and Procurement  
Karen Muir, Technical & Project Accountant  
Denise Taylor, Corporate Accountant  
Edward Cooke, Interim Technical Accountant  
Gavin Lane, Democratic and Elections Officer

#### 15 **Declarations of Interest**

There were no declarations of interest.

#### 16 **Minutes**

The Minutes of the meeting of the Committee held on 27 June 2012 were agreed as a correct record and signed by the Chairman.

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

There were no petitions or requests at the meeting.

#### 18 **Urgent Business**

There was no urgent business.

## **External Audit Annual Governance Report**

The District Auditor submitted the External Audit Annual Governance Report.

The Committee heard that due to outstanding work from the Audit Commission, it had not been possible to publish the Annual Governance Report with the agenda and it was tabled in hard-copy for consideration at the meeting.

The Committee was advised that during the Audit, the Audit Manager assigned to the Council by the Audit Commission, Nicola Jackson, applied for and was successful in attaining the position of Corporate Finance Manager for Cherwell District Council and South Northamptonshire Council. In order to safeguard the independence of the audit, Nicola Jackson was replaced as Audit Manager by Alan Witty to complete the audit. Alan Witty undertook a full file review of the work completed by the team during the audit to ensure the report had been independently checked.

The District Auditor reported that the Council's draft financial statements were approved by the Committee on 27 June 2012 and certified by the Council's Director of Resources on 29 June 2012. However, the Accounts and Audit (England) Regulations 2011 required that the Committee approve the final version of the Accounts on behalf of the Council by 30 September 2012.

The Committee heard that the District Auditor had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The District Auditor had originally identified an error of £46,000 relating to the rental income from Castle Quays, which had subsequently been corrected.

The Committee was advised that the District Auditor had identified significant risks in relation to recovering funds from Icelandic banks and the failure of the Council's cash collection arrangements to comply with Payment Card Industry data security standards. It was reported that the District Auditor was satisfied that appropriate action on these issues had been agreed with the Council.

The Committee heard that the implementation of joint working arrangements with South Northamptonshire Council had resulted in a number of redundancies during 2011 – 2012. The District Auditor had concluded that the rationale and approval for the redundancies was generally satisfactory, but that the Council had not retained robust evidence to support some of the key decisions made.

In relation to any future severance arrangements, the Committee was informed that a system would be introduced to ensure supporting documentation was available to evidence all decisions made by the Council.

The Committee was advised that three weaknesses of internal control had been identified and resolved with the Council's management, specifically:

- (a) the retention of evidence to support the checking of Capita's work on Council Tax;
- (b) the reconciling of Pay and Display car park income from the Council's machines to its bank account; and
- (c) the reconciling of the Council's Co-op bank account.

The Committee heard that the Audit Commission had paid a rebate of £9,147 to the Council to reflect the attainment of internal efficiency saving, which had reduced the Commission's annual audit fee for 2011 – 2012 to £105,191.

**Resolved**

- (1) That the matters raised in the draft Annual Governance Report be noted, prior to approval of the 2011 – 2012 financial statements.
- (2) That the adjustments to the financial statements stated in Appendix Three of the Annual Governance Report be noted.
- (3) That the Draft Letter of Management Representation outlined in Appendix Four of the Annual Governance Report be agreed.
- (4) That the Action Plan outlined in Appendix Six of the Annual Governance Report be agreed.

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**Statement of Accounts 2011/12**

The Committee considered a report by the Head of Finance and Procurement on the Council's Statement of Accounts 2011 – 2012 following audit by the Audit Commission.

The Committee heard that due to outstanding work from the Audit Commission, it had not been possible to publish the amended Statement of Accounts and Summary Statement of Accounts with the meeting agenda. Both documents were therefore tabled in hard-copy for consideration at the meeting.

The Committee heard that the Summary Statement of Accounts would be updated to reflect any changes and uploaded onto the Council's website.

The Committee heard that the District Auditor had originally identified an error of £46,000 relating to the rental income from Castle Quays, which had subsequently been corrected.

**Resolved**

- (1) That the proposed amendments to the 2011 – 2012 financial statements be approved.

- (2) That authority to approve the Statement of Accounts 2011- 2012 be delegated to the Director of Resources, in consultation with the Chairman, before the target deadline of 30 September 2012.
- (3) That it be noted that the 2011 – 2012 Annual Report and Summary of Accounts was currently being prepared.
- (4) That the letter to the District Auditor regarding compliance with internal auditing standards, signed by the Chairman on 31 July 2012, be noted.

## 21 **Consultation Response to the Draft Local Audit Bill**

The Committee considered a report of the Head of Finance and Procurement on the Council's consultation response to the draft Local Audit Bill.

The Committee was advised that the Council's proposed response was broadly supportive of the draft Bill as it would result in a significant reduction in future audit fees and enable the Council to appoint its own auditor.

The Director of Resources reported that officers were of the opinion that the independent auditor panels proposed in the Bill were excessive and unnecessary as politically-balanced Audit Committees should suffice.

The Committee noted that the Council's response identified the district as a rural area and the Director of Resources agreed to clarify what constituted a rural area with the Department for Communities and Local Government.

The Committee heard that the deadline for the Council's response was 31 August 2012 and the Director of Resources agreed to report to Members on the timeframe for the introduction of the proposed Bill.

### **Resolved**

- (1) That the Council's response to the consultation on the Local Audit Bill be noted.

## 22 **Treasury Management Annual Report 2011-12**

The Committee considered a report of the Head of Finance and Procurement on the Council's Treasury Management Annual Report 2011 - 2012.

The Committee was advised that the Council's return on its investments for the 2011 – 2012 financial year was £1.230 million. Of that interest, a total of £216k had been received in relation to the investment of Eco Town funds.

The Committee heard that the Council's budget was based on an average investment balance of £68 million with an interest rate of 1.06%. However, the actual average balance was £72.56 million with an average return of 1.70%.

The Head of Finance and Procurement reported that the Council had received repayment of £5.7 million of the initial capital investment of £6.5 million held in

the failed Icelandic bank, Glitnir. However, the outstanding balance of £729k remained frozen in a deposit account with Icelandic bank Cronia, at an interest rate of 3.4%.

The Committee was advised that after its current investments with Tradition UK had reached maturity, the Council would not reinvest in this fund.

The Committee heard that at the end of August 2012, the interest received on Council investments was 24% higher than budgeted. This performance was due to a higher level of capital programme slippage from 2011-12 resulting in higher balances than planned for; success in obtaining better rates of interest from the Council's investments; and changes in the balance of funds between the Council's investments with Investec, In House and Tradition UK.

### **Resolved**

- (1) That the performance of the Council's Fund Mangers during 2011 - 2012 be noted.

## **23 External Audit Progress Report**

The Committee considered a report of the Head of Finance and Procurement on the progress of the work undertaken by external audit.

The Committee heard that the Council's transition to Ernst and Young was proceeding smoothly.

### **Resolved**

- (1) That the report be noted.

## **24 Internal Audit Progress Report**

The Committee considered a report by the Chief Internal Auditor on the Internal Audit Progress Report (Quarter1) 2012 - 2013.

The Committee heard that PWC had completed 23 audit days out of a planned 160 and was on track for completion ahead of the year end.

In order to ensure the audit plan remained fit for purpose, the Committee heard that the following revisions had been made:

- (a) a joint review would be undertaken following the merger of the Council's payroll systems with those at South Northants Council.
- (b) a 3-day review of the monitoring and performance mechanisms relating to the Council's leisure contract was to be undertaken, in place of a planned 3-day secondment of a member of the Housing Benefits team to support testing on claims in advance of the Council's subsidy claim.

The Committee was advised that PWC had identified a number of areas where the Council's Capita contract had not been delivered by the supplier or the Council. The Head of Finance and Procurement reported that a full assessment of the contract would be undertaken to determine if contractual requirements were not being met or whether services were not required.

The Committee heard that PWC had undertaken a review of the costs and recharges associated with the Council's Joint Management Team. The review examined the budget information and spend incurred during Quarter 4 of the last financial year. In sum, no issues or errors were identified by the review.

### **Resolved**

- (1) That the report be approved.

## 25 **Risk Management - First Quarter Review**

The Committee considered a report of the Corporate Performance Manager on the management of the Council's strategic, corporate and partnership risks during the first quarter of the 2012 - 2013 financial year.

The Director of Resources advised the Committee that none of the risk associated with the Council's activities had changed during the first quarter and, consequently, that there were no particular risk issues to raise with the Committee.

The Committee stressed that the process of continual improvement required that the Council's risk register should be a living document, subject to ongoing revision. In relation to the risk register, future reports to the Committee should identify any potential significant risks facing the Council and any plans to offset these risks. In addition, future reports should not only identify any changes to the register, but also explain any risks that had not changed.

### **Resolved**

- (1) That the Strategic, Corporate and Partnership risk register be noted.

## 26 **Subsidy Update**

The Committee considered a verbal update from the Head of Finance and Procurement on the Council's subsidy.

The Committee heard that a full report would be presented to its next meeting, but that £116k of the Council's subsidy needed to be repaid. The burden of the repayment was to be met equally by the Council and Capita and was less than had been predicted by the Finance Team. An action plan had been devised to offset the possibility of such a problem reoccurring in the future.

The Committee requested that a press release be issued once the arrangements for the subsidy repayment had been confirmed.

**Resolved**

- (1) That the verbal update be noted.

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**Exclusion of Public and Press**

**Resolved**

That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting to enable consideration of Appendices 2 and 3 of the following item on the grounds that, if the public were present, it would be likely that exempt information falling under provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them and that, in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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**Treasury Management Report - Exempt Appendices 2 and 3**

The Committee considered the exempt annexes to the report of the Head of Finance and Procurement on the Council's Treasury Management Annual Report 2011 - 2012.

**Resolved**

- (1) That the exempt appendices be noted.

The meeting ended at 8.30 pm

Chairman:

Date:

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## Accounts Audit and Risk Committee

### Internal Audit Progress Report

5 December 2012

### Report of Chief Internal Auditor

#### PURPOSE OF REPORT

This report provides the Committee with an update of the work of Internal Audit since the last meeting.

This report is public
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#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

- (1) Consider and approve this report

#### Executive Summary

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##### 1.1 Introduction

This report provides the Committee with an update of the work of Internal Audit since the last meeting. It includes a high level overview of final reports issued and issues raised.

##### 1.2 Proposals

No specific proposals included

##### 1.3 Conclusion

The Accounts, Audit and Risk Committee is recommended to consider and approve this report and the amendments made to the audit plan

## Background Information

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Internal Audit has undertaken work in accordance with the Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee. Progress reports are taken to this committee to outline the work performed and conclusions forged to date.

## Implications

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<b>Financial:</b>	n/a
<b>Legal:</b>	n/a
<b>Risk Management:</b>	<p>The progress of the Audit Plan approved by this Committee is monitored as part of the Council's Performance Monitoring Framework. Failure to achieve the audit plan could result in a risk that independent assurance will not be provided on the internal control environment as required, and could be seen to undermine the effectiveness of the Internal Audit team. Failure to achieve the audit plan could lead to adverse comment from the external auditors.</p> <p>Comments checked by Chris Dickens, Chief Internal Auditor, 07720 427215</p>

## Wards Affected

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All

## Document Information

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Appendix No	Title
Appendix 1	Internal Audit Progress Report
<b>Background Papers</b>	
n/a	
<b>Report Author</b>	Chris Dickens, Chief Internal Auditor
<b>Contact Information</b>	07720 427215 Chris.Dickens@cherwell-dc.gov.uk

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# Internal audit summary report for Accounts, Audit and Risk Committee

*December 2012*



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# *Plan outturn*

## **2012/13 Audit Plan**

We have undertaken work in accordance with the 2012/13 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in March 2012.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed 70 days out of a total planned 160 days (44%). We commit to completing our plan ahead of the year end.

We have continued to review our Audit Plan on an ongoing basis to ensure that it meets Cherwell District Councils risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 5 days for a Fraud Risk Assessment review. We have amended the scope of this work to review the use of electronic signatures and rubber stamps and renamed the review 'Signature Audit'.

# Reporting Activity and Progress

## *Final reports issued since the previous meeting*

### Collection Fund

We gave a **medium risk** rating in the 2011/12 audit report, as we have for 2012/13, but there has been an increase in the number of issues noted. Many relate to unresolved issues from last year, predominantly because:

- There is not always documented evidence that controls have been carried out. This was noted in relation to review of reconciliations and user access; and
- A number of control procedures have not been formalised and are carried out on a sporadic basis. This was the case for property inspections.

*Medium risk* issues:

- There is no evidence of independent review of reconciliations. In two instances tested, CAPITA reconciliations contained incorrect information. A number of unexplained reconciling items remain on control account reconciliations;
- There is no reconciliation between details held on I-Clipse and I-World to ensure that all empty and void properties have been identified and/or inspected;
- Inspections of empty properties are performed on a sporadic basis and not all areas within the District are considered; and
- Credit balances are not flagged on I-World and are not actively monitored by the Council.

Without adequate controls in these areas there is a risk that Collection Fund balances are inaccurate and/or incomplete due to incorrect reliefs being granted or Council overpayment.

*Low risk* issues:

- There are no procedure notes outlining the checks to be performed during property inspections, this could mean inadequate checks are performed leading to reliefs being granted incorrectly; and
- No documentation could be provided to confirm that ICT have performed an annual review of user access to I World. Inappropriate access rights may remain on the system allowing unauthorised transactions to be processed.

## *Fieldwork and draft reports*

Draft reports have been issued and/or fieldwork has completed in the following areas: -

- Project and Programme Management (draft report issued);
- Dry Recycling (draft report issued);
- Creditors;
- Debtors;
- General Ledger;
- Strategic Planning and the Environment – Planning Applications;
- Performance Management; and
- Signature Audit.

# Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of audit days	Status/Revisions to the plan
<b>A</b>	<b>Cross-cutting Processes</b>		
A.1	General Ledger**	3	Fieldwork completed.
A.2	Debtors**	3	Fieldwork completed.
A.3	Creditors**	3	Fieldwork completed.
A.4	Payroll**	5	To commence in Q4.
A.5	Budgetary Control	10	To commence in Q4.
A.6	Collection Fund	5	Completed.
A.9	Housing Benefits	5	Fieldwork completed.
A.13	Risk Management	5	To commence in Q4.
A.14	IT Transition Arrangements (Specialist) **	5	To commence in Q4.
A.14	IT Policies and Procedures (Specialist) **	5	To commence in Q4.
A.14	Disaster Recovery and Business Continuity (Specialist)**	5	To commence in Q4.
-	Signature Audit (Specialist)	5	Fieldwork completed.
	<b>TOTAL</b>	<b>59</b>	
<b>B</b>	<b>Department Level</b>		
B.3	Finance and Procurement – Year End Support (Specialist)**	6	To commence in Q4.
B.9	Performance – Performance Management	5	Fieldwork completed.
B.2	Environmental Services – Dry Recycling	5	Fieldwork completed.
B.6	Strategic Planning and the Environment – Planning Applications	5	Fieldwork completed.
B.10	Programme Management - Project and Programme Management (Specialist) **	10	Fieldwork completed.
B.11	Human Resources – Workforce Planning and Performance Management (Specialist)**	10	To commence in Q4.
B.7	Regeneration and Housing – Moat Lane Regeneration	5	To commence in Q4.
	<b>TOTAL</b>	<b>40</b>	
<b>VE</b>	<b>Value Enhancement</b>		
VE.1	Finance Business Case – Critical Friend	5	Completed.
VE.2	Contract Assurance – Capita Contract (Specialist)	10	Completed.
VE.3	Estates and Asset Management	10	To commence in Q4.
VE.4	Shared Management – Governance and Efficiency	5	Ongoing.
VE.5	Contract Assurance – Leisure Contract (Specialist)	3	To commence in Q4.

	<b>TOTAL</b>	<b>33</b>	
PM	Project Management		
PM1	Follow up	5	Ongoing.
PM 2	Audit Management	23	Ongoing.
	<b>TOTAL</b>	<b>28</b>	
	<b>TOTAL PROPOSED DAYS</b>	<b>160</b>	

Where reviews have been annotated ‘\*\*\*’, these relate to processes we have assumed will be followed consistently across both Cherwell District Council and South Northamptonshire Councils. We have therefore reduced days in this area to reflect a joint review. These areas have been indicated to us through discussions with management at both Councils.

# Appendix 2 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

## *The agile council*

Becoming an *agile* council is about being change-ready – being able to respond to complex and ever-changing environments.

Agile councils think and act differently – they break down existing models in favour of new approaches that centre on the customer, they base decisions on strong business intelligence and operate through simpler, standardised organisational structures and processes.

We believe that to succeed in the current and future economic climate the creation of the agile council is critical. By embracing a change-ready culture they remain one step ahead of whatever social, economic or political environment is thrown at them, continuing to deliver exceptional outcomes for their citizens.

In our latest Talking Points publication, 'The Agile Council: creating the change-ready organisation', we discuss why we believe creating an 'agile' council model is critical to the current and future success of the organisation. We look at the environment councils are operating in and five steps to becoming an agile organisation.

All publications can be read in full at [www.psrc.pwc.com/](http://www.psrc.pwc.com/).

*In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cherwell District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Cherwell District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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## Accounts, Audit and Risk Committee

### Risk Management - Second Quarter Review

5 December 2012

### Report of Policy and Performance Officer

#### PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership risks during the second quarter of 2012/13 and highlight any emerging issues for consideration.

This report is public

#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

- (1) Review the Quarter 2 Strategic, Corporate and Partnership Risk Register. (Appendix 1)

#### Executive Summary

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- 1.1 Last year the Council undertook a fundamental review of its risks and associated reporting requirements. This provided the opportunity to consider the underlying principles of the overall approach to managing risk. The review also resulted in a streamlined set of core strategic, corporate and partnership risks and the requirement that operational risks are monitored at individual service level.
- 1.2 As part of this review the Council established a high level strategic risk register which integrated performance and risk reporting using Performance Plus, the Council's corporate performance management system. Risks are regularly reviewed in management meetings. There is effective oversight by members through the Executive and the Accounts, Audit and Risk Committee.
- 1.3 In summary this report sets out the following:
  - The principles by which the Council manages risk (paragraph 1.4)
  - The quarter 2 risk report review (paragraph 1.5).
  - The risk register for 2012/13 (paragraph 1.6 and appendix 1).
  - Risk reporting arrangements (paragraph 1.7)
  - A summary of the overall position/status of strategic, corporate and partnership risks affecting the Council Paragraph 1.10

## 1.4 Underlying Principles of Risk Management

The following principles continue to be used for the management of risk:

**Core Risks:** These are the core set of risks that are recorded in the Council's risk register. They are monitored and reported through the corporate Performance Management Framework and by the Executive and Accounts, Audit and Risk Committee on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

**Net Risk:** This is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in net risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

**Types of Risk:** The Council distinguishes between four types of risk. Those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at service and directorate level. Our definitions are as follows;

- **Strategic risks:** those which are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- **Corporate risks:** those relating to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- **Partnership risks:** those relating to a partnership meeting its objectives or delivering agreed services/ projects.
- **Operational risks:** those which are specific to the delivery of individual services/service performance or specific projects.

This report concentrates upon the strategic, corporate and partnership risks.

## 1.5 Quarter 2 2012/13 Strategic, Corporate and Partnerships Risk Review

Strategic, corporate and partnership risks are reviewed regularly and reported via the performance and risk management framework to the Executive on a quarterly basis. The contents of the risk register as a whole are reviewed at least annually to ensure its contents reflect current priorities and circumstances.

At the last meeting of the Committee members highlighted their view that the risk register should be a living document subject to ongoing revision. The committee expressed some concern at the perceived lack of revision and amendments since the previous report and officers undertook to remind colleagues of the importance of regular updates to the risks highlighted and consideration of new and emerging risks.

For this report "risk owners" have spent time going through the risks and updating and amending them to reflect the current situation. This has not led to any changes to the residual scores but will hopefully give Members the assurance that this exercise is given the requisite amount of time and consideration required.

## 1.6 Risk Register 2012/13

Appendix 1 shows the risk register for 2012/13 at Q2.

## 1.7 Reporting Arrangements

As part of a review of the Performance Management Framework and reviewing our reporting arrangements we would like to include consideration of the risks and the risk reporting.

The performance of all the risks on the Strategic/Corporate/Partnerships Risk Register will continue to be reported to the Accounts, Audit and Risk Committee on a quarterly basis as outlined below:

## 1.8 Operational Risks

Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at directorate and service level. However, managers are able to use the same performance and risk monitoring system as they do for strategic risks. As with service performance indicators, any issues arising from these operational risks may be escalated via the performance and risk reports to the Joint Management Team. In the event of this occurring they would also be reported to the Executive, and Accounts, Audit and Risk Committee in their quarterly reports. Operational risks are reviewed on a quarterly basis.

## 1.9 Risks shared with South Northamptonshire Council

It should be noted that both Cherwell District and South Northamptonshire Councils remain sovereign bodies and as such not all risks will be shared. Where shared risks do exist they will be clearly identified.

The councils will however have a common approach to risk management, underpinned by a single risk management strategy. Each Council will however retain its own separate risk register which will include shared risk where they exist.

As part of the business planning process for 2013/14 strategic, corporate and partnerships risks will be reviewed by JMT. Operational risks for 2013/14 will be identified in departmental service plans.

## Conclusion

1.10 The risk strategy that was agreed in January is being implemented and we are looking at ways to improve how we manage and consider risk. The areas below which have been updated and amended since the last report are worthy of bringing to the attention of members at this meeting

- Corporate Risk RC02                      Member Decision making  
New regulations have been introduced re Executive Decision taking but the legislation is still in part unclear. However the Legal view is that while the risk of a decision being taken which is not in compliance with the new legislation is reasonably high, the likelihood of a legal challenge being made is low. Therefore the rating remains the same.

- Corporate Risk RC04 Joint Working  
Under controls the Joint Arrangements Steering Group has been added that works in relation to joint working between Cherwell and South Northants Council and again between Cherwell, South Northants and Stratford District Councils. (RC04f and g).

As the number of shared services progress the impact of different terms and conditions is becoming an increasing concern to employees and their trade union. Although not a legal risk, consideration is being given to the best solution to address these issues in future.

- Partnership Risk RP09 Local Enterprise Partnership  
An additional control was added RP09d - Funding available from CLG/DfT to support growth and infrastructure provision.

## Implications

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<b>Financial:</b>	There are no direct financial implications on this report. Any financial implications that affect financial resources are picked up within the individual risks overviews and mitigations. Comments provided by Karen Curtin Head of Finance and procurement, 01295 221551
<b>Legal:</b>	There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law. Comments checked by Kevin Lane Head of Law and Governance
<b>Risk Management:</b>	The report details the work that we are doing to manage our risks and this report is the work of the lead officer responsible for risk reporting. Comments checked by Shirley Vaughan, Policy and Performance Officer 01327 322375

## Wards Affected

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All

## Corporate Plan Themes

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All

## Document Information

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Appendix No	Title
Appendix 1	Risk Register Q2 2012/13
Background Papers	
None	
Report Author	Shirley Vaughan, Policy and Performance Officer
Contact Information	<a href="mailto:shirley.vaughan@cherwellandsouthnorthants.gov.uk">shirley.vaughan@cherwellandsouthnorthants.gov.uk</a> 01327 322375

**CDC STRATEGIC RISKS**

STRATEGIC	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RS 01 Policy and legislative change Joint	Kevin Lane	<p>Failure to identify, adapt and respond to policy change leads to:</p> <ul style="list-style-type: none"> <li>• Missed opportunities (for example funding, pilots)</li> <li>• Loss of reputation</li> <li>• Legal impacts (failure to implement new policy)</li> <li>• Negative impacts on service users and customers</li> <li>• Poorly managed change / implementation and potential impacts on business continuity</li> </ul>	High 20	R	Medium 8	A	<ul style="list-style-type: none"> <li>• RS01a : Highly professional, competent, qualified staff</li> <li>• RS01b : Good networks established locally, regionally and nationally</li> <li>• RS01c : National guidance interpreting legislation available and used regularly</li> <li>• RS 01d Members aware and are briefed regularly</li> <li>• RS 01e JMT undertake policy oversight role</li> </ul>	High 20	R	Medium 8	A	→	Report on Localism Act requirement to establish community asset register to go to Executive in November 2012. Pending LGRR is the subject of regular reports to Executive
RS 02 Local Government Resources Review Joint	Karen Curtin	<p>Lack of preparation for the implementation of the significant changes associated with the Local Government Resources Review could leave the Councils financially disadvantaged. The term Local Government Resources Review is loosely used to describe changes</p> <ul style="list-style-type: none"> <li>* Council Tax benefit (Council Tax localisation)</li> <li>* Housing Benefit (Universal Credit)</li> <li>* Council Tax discounts</li> <li>* Business rates localisation</li> <li>* New Homes Bonus</li> <li>* Freedoms and flexibility contained within the Localism Act and further legislative powers anticipated in relation to planning fees etc.</li> </ul>	High 20	R	Medium 8	A	<ul style="list-style-type: none"> <li>• RS02a : Highly professional, competent, qualified staff</li> <li>• RS02b : Good networks established locally, regionally and nationally</li> <li>• RS02c : National guidance interpreting legislation available and used regularly</li> <li>• RS02d : Members aware and are briefed regularly</li> <li>• RS 02e Participate in NFO and OTA work streams</li> <li>• RS 02f Programme management app</li> </ul>	High 20	R	Medium 8	A	→	LGRR project managing the risks with regular reports to Members, training sessions and briefing notes. The settlement information is due on 19 December 2012.

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**CDC STRATEGIC RISKS**

STRATEGIC	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RS06 Financial Viability (should be considered alongside S2 Local Government Resources Review) Joint	Karen Curtin	Failure to plan for the impact of local government finance reform, unforeseen external financial impacts, emerging government policy and increased service demand reduces the medium and long term financial viability of the councils.	High 16	R	Medium 8	A	RS 06a : Highly professional, competent, qualified staff RS06b : Good networks established locally, regionally and nationally RS07b: knowledge transfer RS06c : National guidance interpreting legislation available and used regularly RS06d : Robust medium term revenue plans RS06e : Robust budget process RS06f : Scenario modelling carried out regularly RS06g : Internal officer/member working group regularly consider information & emerging intelligence RS06h : Members aware and are briefed regularly RS06i : Participate in NFO and OTA discussions	High 16	R	Medium 8	A	→	MTFS planning and 13/14 budget setting managing the risk. The MTFS will be refreshed and presented with 2013/14 budget in Feb 2013.
Page 24 RS07 Customer Service Improvement Joint	Jacqui Hurd	Performance and costs of both CSC teams will be negatively affected if robust, attractive and user friendly online and self service options are not available. Furthermore customers who do not have access to the web may have poor access to services. This failure to increase internet usage or self service and to improve customer services processes could result in higher costs decreased customer satisfaction impact on the councils reputation increased "failure" demand (eg people calling back repeatedly or calling/visiting where the phone or web service has failed)	High medium 12	A!	Medium 9	A	RS07a :CDC – customer service standards in place (e.g. voicemail) RS07b : Web – both councils sites redesigned/redeveloped incl online forms/payments RS07c : Managers to discuss service changes with customer services to mitigate any negative impact RS07d: On-going review of web (SNC page – noting actions taken from customer feedback) RS07e: Customer communications in local/residents newsletters RS07f: Customer complaints process RS07g: JMT highlight service changes to customer service teams to ensure web/service team deliver	High medium 12	A!	Medium 9	A	→	Progress is limited - there has been no end to end process re design where "tasks" from beginning to end are available on line.
RS11 Deprivation & Health Inequalities CDC	Ian Davies	The risk in not breaking the cycle of deprivation and addressing inequalities across the District is that the life opportunities of residents in the greatest need will not be improved. As a result the reputation of the Council will suffer. The risk is particularly acute in areas such as the Neithrop, Ruscote and Grimsbury wards in Banbury where there is a high level of deprivation as measured by the Government's indices of multiple deprivation.	High Medium 12		Medium 6		RS11a:Long term commitment to support local people & communities RS11b:Multi agency actions with clear & common objective RS11c: LSP focus on Brighter Futures in Banbury programme RS11d:Contingency fund made available in CDC budget RS11e: Programme co-ordination role in place RS11f: Quarterly performance management in place	High Medium 12		Medium 6		→	Good multi agency focus on those in need supplemented with the Government funded Thriving Families initiative. Possible risk due to economy of further people in need of support.

**CDC STRATEGIC RISKS**

STRATEGIC	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RS12 Bicester Eco Town CDC	Ian Thompson	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council The risks are that national and local policy support and resources will be inadequate to support the development of the NW Bicester Eco-Town. As a result the Council may fail to fully exploit the Eco-Town as an opportunity to develop a centre of excellence in terms of sustainable living. Likewise the programme aims to increase eco-business opportunities and failure to manage effectively could results in lack of new business development or alienation of current businesses.	High 16	R	Medium 9	A	RS12a: Planning policy development through Local Plan RS12b: Eco Town Project plan & related partnerships working with private/public sector partnerships RS12c: Programme Board in place RS12d:Lead Member in place	High 16	R	Medium 9	A	→	Controls in place
RS13 Local Plan CDC	Adrian Colwell	Failure to ensure sound local plan is submitted by 27/03/13 results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation	High 20	R	High Medium 9		RS13a : Local development scheme in place detailing timeframes & deliverables to underpin the work RS13b: Resources are in place to support delivery	High 20	R	High Medium 9		→	Controls in place
RS14 Bicester Town Centre CDC	Ian Thompson	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council This could result in reputational damage. Failure to realise economic opportunities. Increased costs (if failure to deliver within the programme timescales	High Medium 12	A!	Medium 6	A	RS14a : Project manager in lead role RS14b : Project board RS14c : Legal agreements in place RS14d : Joint venture with the developer (underpinned by legal agreements) RS14e : Monthly performance / projects reports RS14f : Resources and technical advice provided as part of the developer agreement	High Medium 12	A!	Medium 6	A		Controls in place

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**CDC STRATEGIC RISKS**

STRATEGIC	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RS15 Horton Hospital Joint	Ian Davies	The risks to maintaining the Horton General Hospital (HGH) as a facility that meets community aspirations for local health provision are the on going affordability of a new consultant delivered service model. Further risks associated with this arise from the funding changes from the health sector reforms	High 16	R	High Medium 12	A!	RS15a : Support Oxford University Hospitals Trust & emerging GP commissioning structure RS15b :Providing evidence of deliverability of consultant delivered services elsewhere RS15c : Gaining consensus locally that this is important RS15d : Ensuring local councillors are briefed and engaged to play a community leadership role RS15e : Support a local stakeholder group (CPN) with OUHT, GP & OCC representation to hold service commissioners and providers to account and to communicate the health sector changes in the wider population	High 16	R	High Medium 12	A!	→	

Changes at national level , annual substantial funding reductions and improvements in clinical technology and advances mean that is highly probable that there will be future changes at the Horton general Hospital

**CORPORATE RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RC 01 Business Continuity Joint	Jo Pitman	Loss of ICT/Access to Facilities/Loss of Staff/Resources or other continuity event leads to: <ul style="list-style-type: none"> <li>• Failure of councils to deliver services</li> <li>• Failure of councils to recover services within a reasonable time limit</li> <li>• Failure of councils to recover services within a reasonable time limit</li> <li>• Failure of councils to recover services</li> <li>• Loss of income or increased costs</li> <li>• Negative impact on customers</li> <li>• Danger to staff/employees</li> </ul>	High 20	R	Medium 9	A	<ul style="list-style-type: none"> <li>• RC01a : Business continuity strategy in place</li> <li>• RC01b : All services prioritised and recover plans reflect the requirements of critical services</li> <li>• RC01c : ICT disaster recovery arrangements in place</li> <li>• RC01d : JMT lead identified</li> <li>• RC01e : Incident management team identified</li> <li>• RC01f : All services undertake annual business impact assessments and continuity plans during Q3</li> </ul>	High 20	R	Medium 9	A	→	Risk of business continuity issues remain constant apart from in the event of an actual incident occurring the gross risk will be constant and the controls mitigate this to moderate and possible with a score of 9 which will remain throughout the year
RC 02 Member Decision Making Joint	Kevin Lane	The making of unlawful and/or ineffective decisions by Members due to lack of necessary information and/or support	High 16	R	Medium 8	A	<ul style="list-style-type: none"> <li>• RC02a : Professionally qualified/experienced officers at all Member decision taking meetings</li> <li>• RC02b : Council Constitutions</li> <li>• RC02c :Member Development Programmes</li> <li>• RC02d : Legislative requirements</li> <li>• RC02e : Call in processes</li> </ul>	High 16	R	Medium 8	A	→	Likelihood of risk occurring has increased in the short term with the recent unexpected introduction of new Regulations concerning Executive decision taking. This legislation is in part unclear, and introduces extra procedural steps, and while advice about them has been distributed to JMT there must be a greater risk of a decision being taken which is not in compliance with the legislation pending further guidance that is anticipated from CLG. However while the risk of a decision being taken which is not in compliance with the new legislation is reasonably high, the likelihood of a legal challenge being made, let alone successful, is low and therefore the scores remain.
RC 04 Joint Working Joint	Jo Pitman	Failure to implement and manage joint working - resulting in: <ul style="list-style-type: none"> <li>• Reduced performance</li> <li>• Failure to realise savings / benefits</li> </ul> Negative impact on reputation	High 20	R	High medium 12	A!	RC04a: Leading members and JMT committed to partnership working and reducing costs wherever possible RC04b: Programme management approach ensures regular review, monitoring and delivery RC04c:No of business cases progressing well RC04d:Initial discussion taking place with other potential partners RC04e:Financial imperative to deliver savings built into the budget RC04f: Implementation and operation of Joint Arrangements Steering Group (JASG) between Cherwell District Council and South Northamptonshire Council RC04g: Implementation and operation of Joint Arrangements Steering Group (JASG) between between Cherwell District Council and South Northamptonshire Council and Stratford District Council	High 20	R	High medium 12	A!	→	As the number of shared services are progressing across the two councils, the impact of different terms and conditions of employment, and specifically pay differentials is becoming an increasing concern to employees and their trade union. Consequently it is beginning to represent a risk to both councils in relation to employee morale and productivity, and ultimately employee relations. It is not a legal risk. Consideration is being given as to the best solution to address this going forward.

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**CORPORATE RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RC05 Communications Joint	Jo Pitman	Failure to proactively manage internal and external communications leads to: service changes not being effectively managed organisational changes not being effectively implemented service failure increased complaints reduced performance reduced service take-up	High 16	R	Medium 6	A	RC05a : Centralised press office function RC05b : Members attributed & sign of press releases RC05c : Comms strategy in place RC05d : Members media training RC05e : Social Media Policy RC05f : Specific comms plans in place for major projects	High 16	R	Medium 6	A	→	The corporate communications teams for both councils are still separate. The level of resources within the SNC team are currently insufficient to deliver the level of service that is required and this is being considered as part of the budget setting  The time taken to secure sign off of draft media statements continues to be a problem for the Communications Teams at both councils which in turn has a negative impact upon the councils' ability to be as proactive in all areas of media activity as we would wish to be.
RC06 Equalities Joint	Jo Pitman	Failure to comply with equalities legislation leads to: legal challenge customer complaints lack of access to council services this could result in negative impact on community and/or service users, reputational damage or legal costs	High medium 12		Medium 9	A	RC06a: Rolling programme of equality assessments RC06b: Equality policy and corporate plan in place RC06c: Equalities requirements to be identified in service plans RC06d: Equalities training available for staff and Members RC06e: Equalities awareness programme at CDC	High medium 12		Medium 9	A	→	The process and procedures are in place to mitigate against the risk of an equalities issue. Training for equalities is being conducted and all staff should be aware of equalities legislation. This is not a risk where we would anticipate any change unless we were to had an equalities issue.
RC07 ICT Insource Joint	Gareth Jones	Failure of ICT services resulting from the insource project any outstanding issues in terms of the forward plan(ie the process of embedding the new service) This could result in loss of critical systems, reduced capacity and impact on existing systems this risk will be retained throughout the period of harmonisation and implementation until the new shared service becomes business as usual	High 16	R	Medium 9	A	RC07a: All business systems have been transferred and are controlled by the shared team RC07b: knowledge transfer RC07c: Documentation of processes RC07d: Contracts novated (ie systemised by third parties are now "owned" by the shared team	High 16	R	Medium 9	A	→	controls in place - no change
RC08 Health and Safety Joint	Dave Bennet	Failure to comply with health and safety legislation leads to: injury, sickness absence and litigation against the council	High 20	R	High medium 15	A!	RC08a: Both councils have policies, procedures and arrangements in place to mitigate the risk of accidents to staff, members of the public and contractors that may be affected by the council's actions	High 16	R	Medium 9	A	→	The HSE have undertaken a review of SNC and are due to report findings late October
RC09 Emergency Planning joint	Dan Rowlson	The emergency plan is a document that formulates the council's responses to major incidents around the district and across its boundaries	High medium 12	A!	High medium 12	A!	RC09a: Emergency plan reviewed quarterly and on activation - currently being reviewed to integrate joint working arrangements	High medium 12	A!	High medium 12	A!	→	No changes currently. Updates recently received from Oxfordshire County Council for their Emergency Plan

**CORPORATE RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RC11 Capital investment and asset management Joint	Karen Curtin	Poor investment and asset management results in the councils not maximising financial returns or losing income	High 20	R	High medium 12	A!	RC11a: Treasury management policies in place RC11b: Investment strategies in place RC11c: Regular financial and performance monitoring in place RC11d Independent third party advisors in place and different one used at each council RC11e: Regular bulletins and advice from advisors RC11f: Fund managers in place at CDC RC11g: Property portfolio income monitored through financial management RC11h: Experienced professionally qualified staff employed at both councils	High 20	R	High medium 12	A!	→	Working in accordance with investment and treasury strategy. No issues of non compliance or breaches year to date.
RC12 ICT systems failure Joint	Gareth Jones	Failure of It services including telephone and remote access leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation)	High 16	R	Medium 9	A	RC12a: BCP plan RC12b: Disaster recovery arrangements RC12c: Recovery site RC12d: Back up of systems RC12e: Process and standards (compliance regime)	High 16	R	Medium 9	A	→	controls in place - no change

**CORPORATE RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross Rag	Net risk	Net Rag	change	
RC13 Corporate fraud	Karen Curtin	Lack of corporate governance and control along with the current economic climate leads to an increase in fraudulent activity faced by the council	High 16	R	Medium 8	A	RC13a:Professionally qualified finance staff RC13b:Communication of anti fraud messages RC13c: Dedicated fraud teams at CDC and SNC RC13d:Anti fraud trained staff at both authorities RC13e:Specific corporate fraud resource within the finance project team at SNC RC13f:Fraud risk assessments carried out periodically RC13g:Audit committee at SNC RC13h:Accounts Audit and Risk committee at CDC RC13i:Benefit fraud campaigns advertised RC13j:Benefit fraud identification and convictions communicated to the local press RC13k:internal controls processes and procedures segregation of duties, checking of information etc) RC13l:periodic checking of data single persons discounts, Audit commission data matching) RC13m:Membership of National Anti Fraud Network	High 16	R	Medium 8	A	→	Corporate Fraud Manager is continuing to raise awareness and internal control environment considers the potential areas of risk as part of the annual work programme and reports through to AARC an Audit committee.
RC14 Managing data and information Joint	Jo Pitman	Lack of effective data quality and information governance results in: poor quality information underpinning decision making Lack of understanding regarding performance issues poor quality corporate governance Lack of transparency/accountability to both the members and the public This could result in: Legal challenge Reputational damage Increased costs, waste or reduced performance	High 16	R	Medium 9	A	RC14a: Audit and data quality health checks RC14b: Annual target setting process RC14c: Annual PMF review RC14d:Data Quality policies in place	High 16	R	Medium 9	A	→	The processes are in place to ensure that data is effectively managed. We are currently reviewing the PMF and will have an audit team consider the PMF over the coming months. No issues are anticipated and no change to the status of this risk is required.

**CDC PARTNERSHIP RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross RAG	Net risk	Net RAG	Change	
RP04 Cherwell Local Strategic Partnership CDC	Kevin Larner	Failure or reduced effectiveness of the partnership could lead to: Key partners adopting policies or projects inconsistent with each other Opportunities being missed for effective partnership working Existing LSP projects failing to deliver their objectives Any of the above could result in wasted resources and reputational damage to the council and the partnership	Medium 9	A	Medium 6	A	RP04a: Annual self assessment of performance RP04b: Annual "Reference Group" conference to report to and guidance from the wider community RP04c: CDC officer time dedicated to servicing the partnership and maintaining links between partners	Medium 9	A	Medium 6	A	→	Partnership arrangements have been streamlined to reflect reduced resources
RP05 CDC Safer Communities Partnership CDC	Mike Grant	The partnership doesn't add value to the work of the council. Undertakes projects that don't align with strategic objectives of the council. Council is unable to influence the Partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation. Duplication of work Less effective/efficient work Less public confidence Failure to achieve partnership's objectives	Medium 9	A	Low 4	G	RP05a: CSCP effective meetings RP05b: Elected member representation at district and county groups RP05c: Continued support of JATAC RP05d: Cusp Strategy RP05e: CUSP action plan compliance	Medium 9	A	Low 4	G	→	Risk reviewed and the Partnership continues to meet with a healthy attendance and contribution

**CDC PARTNERSHIP RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross RAG	Net risk	Net RAG	Change	
RP06 Local Enterprise Partnerships Oxford Region CDC	Adrian Colwell	The risk is the failure of the Local Enterprise Partnerships to establish themselves as effective bodies locally and in relations National Government. The consequences may be reduced funding for the local area and failure to fully exploit economic growth, development and infrastructure provision opportunities. A related risk is the ability/inability of Cherwell District council to influence the work of the Partnerships to the benefit of the district	High 16	R	High medium 12	A!	RP06a: Partnerships work programme / forward plan RP06b: Resource provision for partnership work - Senior management and Member involvement	High 16	R	High medium 12	A!	→	controls in place - no change
RP07 Oxfordshire Waste Partnership - financial arrangements CDC	Ed Potter	Financial arrangements exist to regulate funds flowing between the collection authorities in Oxfordshire and the disposal authority (Oxfordshire County Council). These are legally binding. However Oxfordshire county council have indicated that they are not prepared to continue all these payments (landfill diversion payments) in the future , indicating from April 2013. This could threaten the future of the Oxfordshire Waste Partnership.	High 20	R	High medium 12	A!	RP07a: Working with other collection partners. The County Council has one vote - the collection authorities have five RP07b: Full participation in the Partnership to address any moves made by the County Council to reduce payments RP07c: The County council could walk away from the Partnership which would mean the County Council would only pay recycling credits. However this is unlikely. RP07d: The Chair of the OWP has moved from Oxfordshire County Council to South Oxfordshire from May 2012	High 20	R	High medium 12	A!	→	Financial arrangements discussions with Chief Execs and Treasurers since there is a number of issues with the flow of money between Councils

**CDC PARTNERSHIP RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross RAG	Net risk	Net RAG	Change	
RP08 Health and Wellbeing Boards CDC	Ian Davies	A new health and well being structure is being set up with county councils being given the responsibility to lead. This includes health, social care and the general well being in the widest context. CDC and SNC have notable contributions to make through their leisure, community safety, housing and health improvement services, regulatory functions such as planning, licensing and environmental health and its services to young people and older people. Unclear with a CC lead how DC services contribute and influence. There is a specific risk that the previous Supporting People budget so crucial to much of the homelessness preventative work will be broken up within this structure.	Medium 9	A	Medium 9	A	RP08a: Engagement with CC structures NB The structures are different in each county. Oxfordshire has a clear structure and acknowledges the need for the DC's direct contribution. However greater Supporting People budget risk exists which is no more reference to CDC. SNC engagement has commenced but there is a reliance on each district to set up its local forum with no clear guidance on the contribution mechanism of that to the county structure	Medium 9	A	Medium 6	A	↓	Health and Well Being county wide structure now in place. Multi agency working underway to provide District's input. Priorities established.
RP09 Local Enterprise Partnership (South East Midlands) Joint	Adrian Colwell	The risk is the failure of the Local Enterprise Partnerships to establish themselves as effective bodies locally and in relations National Government. The consequences may be reduced funding for the local area and failure to fully exploit economic growth, development and infrastructure provision opportunities. A related risk is the ability/inability of Cherwell District Council to influence the work of the partnerships to the benefit of the district	High 16	R	Medium 12	A	RP09a: Partnership Work Programme / Forward Plan RP09b: Resource provision for Partnership work RP09c: Senior management and Member involvement RP09d funding available from CLG /DfT to support growth and infrastructure provision.	High 16	R	Medium 12	A	→	Both Local Enterprise Partnerships are still in the early stage of development. See additional control added RP09 re funding

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**CDC PARTNERSHIP RISKS**

Risk Heading	Owner	Description	From 1/4/12				Controls	Q2					Comments
			Gross Risk	Gross RAG	Net Risk	Net Rag		Gross risk	Gross RAG	Net risk	Net RAG	Change	
RP10 Police and Crime Commissioner and Crime Panel (Thames Valley & Northamptonshire) Joint	Chris Rothwell	The Council fails to engage/influence the PCC/PCP Doesn't add value to partnership work of the council PCC commissions projects that don't align with strategic objectives of the council. Loss/reduction of funding to community Safety Becomes isolated from PCC Leading to failure to achieve corporate objectives and loss of reputation. Failure to deliver local priorities Failure to achieve PCC objectives Less effective/efficient work Less public confidence	Medium 9	A	Low 4		RP10a: Effective local community Safety Partnership meetings RP10b:Elected member representation at PCP RP10c:Elected member representation at Northamptonshire and Oxfordshire Board (OSCP) arrangements RP10d: Elected member representation at CSP RP10e: Alignment with PCC policing plan RP10f: Elected membership in accordance with agreed PCP steering group policy	Medium 9	A	Low 4		→	Work progressing in both areas towards election. Panel in place at regular meetings in Thames Valley

## Accounts, Audit and Risk Committee

### Treasury Management Report

5 December 2012

### Report of Head of Finance and Procurement

#### PURPOSE OF REPORT

To receive information on treasury management performance and compliance with treasury management policy for 2012/13 for the period to 31<sup>st</sup> October 2012 as required by the Treasury Management Code of Practice.

This report is public

Appendices 1a and 1b to this report are exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

1. Note the contents of the report

#### Summary

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- 1.1 As part of our investment strategy and governance arrangements this committee considers the investment performance to date and our compliance with counterparties being used.
- 1.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The 2012/13 strategy for Cherwell District Council was approved at full Council on 19<sup>th</sup> March 2012.
- 1.3 The highest standard of stewardship of public funds remains of the utmost importance to the Council. This document details the Council's management of investments and treasury management activities during the first 7 months of 2012/13.

#### Background Information

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##### 2012/13 Performance

- 2.1 As at the end of October the Council had £2.5m and £11.7m respectively

invested with fund managers Tradition UK and Investec. In addition it has around £64m managed in-house (including Eco Town funds of £13.5m) which fluctuates during the year. The Council regularly reviews of each of these funds in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings.

#### Update on Cherwell's Treasury Performance

- 2.2 The Treasury Management Strategy for 2012/13, which includes the Annual Investment Strategy was approved by the Council on 19th March 2012. It sets out the Council's investment priorities as being: Security of Capital; Liquidity; and Yield
- 2.3 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector: this applies in particular to nationalised and semi nationalised UK banks.
- 2.4 Given the turmoil in peripheral Europe, our investments list does not have direct exposure to any sovereign debt of Portugal, Ireland Greece, Spain or Italy and that includes their national banks,. However, indirectly the banks on our lending list, in all probability do have exposure in some shape or form to either or both. Our lending criterion is very stringent and only the very largest banks are considered through negotiable securities, providing us with the greatest liquidity and flexibility.
- 2.5 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £77.4m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.

Investment performance at 31st October 2012 was:

<b>Fund</b>	<b>Amount at 31<sup>st</sup> October 2012</b>	<b>Interest Budget</b>	<b>Actual Interest</b>	<b>Variance</b>	<b>Rate of return %</b>
TUK	2,500,000	79,221	103,396	24,175	1.94%
Investec	11,742,224	50,312	77,844	27,531	1.02%
In House	64,155,000	380,042	453,088	73,046	1.36%
<b>Total</b>	<b>78,397,224</b>	<b>509,575</b>	<b>634,328</b>	<b>124,752</b>	<b>1.39%</b>

- 2.6 At the end of October 2012, interest received was 25% more than budgeted and shows a positive result across all three funds. This was mainly due to higher than planned balances when creating the budget as we had a higher level of capital programme slippage from 2011/12, obtaining better than projected rates from our investments, and the change in allocation of funds between TUK, Investec and in-house.
- 2.7 As a result we have reviewed our interest projection for the year and we are

currently projecting we will receive additional investment income of £350k after the deduction of interest in respect of Eco town funds which will be returned to the Eco Town funding amount. The amount in respect of the Eco Town funds is anticipated to be approximately £150k.

- 2.8 The Counterparties that we have invested with and compliance monitoring is included in Appendix 1a and 1b.

### **Update on Iceland Funds**

- 2.9 The Icelandic Government stated its intention to honour all its commitments as a result of their banks being placed into receivership. The U.K. Government has been working with the Icelandic Government to help bring this about.
- 2.10 At the current time, Cherwell District Council has received repayment of £5.7m of the initial capital investment of £6.5m with the balance of £729k remaining frozen in a deposit account earning interest.
- 2.11 We continue to have discussions with the LGA and Bevan Brittan on the potential for transfer to the UK. The Council has received information relating to the currencies that they will have there deposits repaid in and made arrangements with Natwest Bank to receive and exchange to £ sterling. We are still awaiting information relating to the timing of these payments.

### **Implications**

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<b>Financial:</b>	There are no financial implications arising directly from any outcome of this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
<b>Legal:</b>	Presentation of this report is in line with the CIPFA Code of Practice. Comments checked by Kevin Lane Head of Law & Governance.
<b>Risk Management:</b>	It is essential that this report is considered by the Executive as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided. Comments checked by Nicola Jackson, Corporate Finance Manager, 01295 221731.

### **Wards Affected**

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All wards are affected.

### **Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1a and b	Deposits by Counterparty – <b>RESTRICTED</b>

<b>Background Papers</b>	
2012/13 Strategy Budget Monitoring Reports CIPFA Treasury Management Code of Practice Sector Templates	
<b>Report Author</b>	Karen Curtin, Head of Finance and Procurement
<b>Contact Information</b>	<a href="mailto:Karen.Curtin@Cherwellandsouthnorthants.gov.uk">Karen.Curtin@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

## Accounts, Audit and Risk Committee

### Housing Benefit and Council Tax Benefit Claims for 2010/11 and 2011/12

5 December 2012

### Report of Head of Finance and Procurement

#### PURPOSE OF REPORT

The purpose of this report is to update Members on the actions taken following the audit of the Housing Benefit and Council Tax Benefit Claim for 2010/11 and to make Members aware of the outcome of the audit of the Claim for 2011/12.

This report is public

#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

- (1) To note the contents of the report

#### Executive Summary

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##### Introduction

- 1.1 The Audit Commission, as the appointed external auditor last year, was responsible for certifying the Council's claims and returns. The Housing Benefit and Council Tax Benefit Claim for 2010/11 was subject to a number of adjustments and as a result the Audit Commission issued a qualification letter to the DWP as the grant-paying body.
- 1.2 A key part of the Claim is the classification of overpayments. Overpayments arising from claimant error and fraud are claimed at a rate of 40% as there is a presumption that they will be recovered. The rate claimed for overpayments arising from official errors and delays depends on the total value of these overpayments. If the value is below a lower threshold then they are claimed at a rate of 100%. If the value falls between the lower and upper thresholds then they are claimed at a rate of 40%. If the value of these overpayments exceeds the upper threshold then no claim can be made in respect of these overpayments.

- 1.3 The effect of the errors uncovered by the Audit Commission and subsequently extrapolated was to increase the value of overpayments due to official errors and delays from below the lower threshold to above the upper threshold. Consequently, the Council faced a potential reduction in its Claim in excess of £400,000.
- 1.4 The Council agreed with Capita after discussions with DWP to carry out further testing in light of the extrapolation values and the potential loss of subsidy. This work was reviewed by the Audit Commission between January 2012 and April 2012 and a revised qualification letter was sent to DWP in May 2012.
- 1.5 As a result of this further work we were able to reduce the value of overpayments due to official error and delay to below the upper threshold. Consequently, the actual reduction in our Claim was £114,753.
- 1.6 The DWP has accepted the Audit Commission's qualification letter and has recovered £114,753 from the Council. This cost has been split 50:50 with Capita. The Council's contribution is £57,377 and this has been met from reserves.

#### **Lessons Learnt and Outcomes**

- 1.7 As a result of the problems encountered with the Claim for 2010/11 a number of learning points were identified.
- 1.8 Firstly, the value of overpayments due to official error and delay in comparison to the lower threshold needs to be monitored regularly in-year and early action taken if it appears that the lower threshold may be breached. The workload must be prioritised so as to maintain a significant margin of safety below the threshold.
- 1.9 Greater care needs to be taken in the preparation of reports delivered to the Audit Commission so that auditors can have confidence in the accuracy of those reports.
- 1.10 Quality checking of individual benefit claims needs to be focussed on new claims and changes of circumstances that result in an overpayment being identified. This was the approach already adopted by South Northamptonshire Council following problems with their Claim a few years ago.
- 1.11 All of these changes were implemented during 2012.
- 1.12 When preparing the pre-audit Claim for 2011/12 the Council was able to report that overpayments arising from official error and delay amounted to £109,532 compared to a lower threshold of £199,238.
- 1.13 The Audit Commission undertook their work on the 2011/12 Claim this year and found errors in the following areas:
  - Temporary accommodation claims – treatment of tax credits
  - Temporary accommodation claims – classification of overpayments

- Temporary accommodation claims – backdating
- Rent allowance claims – classification of overpayments
- Rent allowance claims – backdating
- Rent allowance claims – treatment of pension credits

1.14 Due to the small number of temporary accommodation claims it was possible to check all of the relevant claims make appropriate adjustments to the Claim. Consequently, there was no need for the Audit Commission to make extrapolations or to report on these errors in the qualification letter.

1.15 The Audit Commission did report on the errors found in rent allowance claims as these had to be extrapolated. The value of the extrapolations was £16,624. However, as the value of overpayments due to official error and delay remained below the lower threshold, the effect was to increase the value of the Council’s Claim by £576 compared to the initial Claim.

### **Conclusion**

1.16 The problems experienced with the audit of the Claim for 2010/11 appear to have been caused by the transition from the in-house Benefits service to the outsourced contract with Capita. The actions put in place subsequent to that audit greatly improved the audit of the 2011/12 Claim. The Council expects this to also be the case when our claim is made for 2012/13.

### **Key Issues for Consideration/Reasons for Decision and Options**

This report summarises the Audit Commission’s findings from the review of our work on the 2010/11 and 2011/12 Claims.

The following options have been identified. The approach in the recommendations is believed to be the best way forward:

- |                   |  |
|-------------------|--|
| <b>Option One</b> | To note the contents of the report                   |
| <b>Option Two</b> | To raise issues or questions relating to this report |

### **Implications**

**Financial:** Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully  
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

**Legal:** There are no implications arising from this report  
Comments checked by Kevin Lane, Head of Law and Governance 01295 221686

**Risk Management:** Failure to provide adequate arrangements for the administration and preparation of grant claims result in both financial and reputation risks to the Council.  
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

**Wards Affected**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
None	
<b>Background Papers</b>	
Certification of claims and returns - annual report 2010/11  Correspondence with Department for Communities and Local Government – Pooling Housing Capital Receipts	
<b>Report Author</b>	Karen Curtin, Head of Finance and Procurement
<b>Contact Information</b>	01295 221551 karen.curtin@Cherwell-dc.gov.uk

## 2012/13 Work Programme

Topic	Lead	5 <sup>th</sup> Dec 2012	23 <sup>rd</sup> Jan 2013	27 <sup>th</sup> Mar 2013	mid June 2012	end June 2013	Sep-13	Dec-13
1. Apologies for Absence and Notification of Substitute Members	Chairman of AARC	Standing Agenda Item						
2. Declarations of Interest	Chairman of AARC	Standing Agenda Item						
3. Petitions and Requests to Address the Meeting	Chairman of AARC	Standing Agenda Item						
4. Urgent Business	Chairman of AARC	Standing Agenda Item						
5. Minutes of the previous meeting	Chairman of AARC	Standing Agenda Item						
Training Session	Chairman of AARC and Head of Finance & Procurement		+		+			
Review of Work Programme	Chairman of AARC and Head of Finance & Procurement	Standing Agenda Item						
External Audit Annual Certification of Claims Report	Ernst Young	✓						✓
External Audit Progress Update	Ernst Young	✓	✓	✓		✓	✓	✓
External Audit Fee Letter	Ernst Young		✓					
External Audit Annual Governance Report	Ernst Young						✓	
External Audit Annual Audit Letter	Ernst Young							✓
Audit Committee Annual Report	Chairman of AARC and Head of Finance & Procurement					✓		
Internal Audit Progress Report	Chief Internal Auditor	✓		✓		✓	✓	
Follow up on Internal Audit Report	Chief Internal Auditor	As required						
Internal Audit Annual Plan	Chief Internal Auditor			✓				
Internal Audit Annual Report	Chief Internal Auditor					✓		
Corporate Risk Register and Risk Strategy	Corporate Performance Manger and Head of Finance & Procurement			✓				
Risk Management Update	Corporate Performance Manger and Head of Finance & Procurement	✓		✓		✓	✓	
Anti Fraud and Corruption plus Whistle blowing Update	Head of Finance & Procurement and Fraud Manager			✓				
Protecting the Public Purse	Head of Finance & Procurement and Fraud Manager					✓		
Review of the Anti-Fraud and anti-corruption Strategy	Head of Finance & Procurement & Fraud Manager			✓		✓		
Annual Governance Statement Review	Head of Finance & Procurement				✓			
Annual Governance Statement Approval	Head of Finance & Procurement					✓	✓	
Statement of Accounts Review	Head of Finance & Procurement				✓			
Statement of Accounts Approval***	Head of Finance & Procurement					✓	✓	
Annual Report and Summary of Accounts	Head of Finance & Procurement					✓	✓	
Treasury Management Budget Monitoring & Compliance	Head of Finance & Procurement	✓		✓		✓	✓	✓
Treasury Management Strategy & Practices	Head of Finance & Procurement			✓				
Accountancy Progress Report - Closedown	Corporate Accountant			✓				
Accounting Policies	Corporate Accountant			✓				

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