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Committee:	**Accounts, Audit and Risk Committee**
Date:	**Wednesday 26 June 2013**
Time:	**6.30 pm**
Venue	**Bodicote House, Bodicote, Banbury, OX15 4AA**

Membership

Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)
Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

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 1 - 6)

To confirm as correct records the Minutes of the meetings of the Committee held on 27 March 2013 and 15 May 2013.

5. **Urgent Business**

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

6. **Annual Governance Statement Approval** (Pages 7 - 8)

Report of the Head of Finance and Procurement.

Summary

The purpose of the report is to seek approval for the Annual Governance Statement 2012/13, subject to any amendments the Committee may wish to make. The Statement will be circulated separately.

Recommendation

The Accounts, Audit and Risk Committee is recommended to:

(1) to consider and approve the Annual Governance Statement "Subject to Audit" 2012/13.

7. **Statement of Accounts Approval** (Pages 9 - 108)

Report of the Head of Finance and Procurement.

Summary

The purpose of the report is for the Committee to consider and endorse the Statement of Accounts for 2012/13 (subject to audit).

Recommendations

The Accounts, Audit and Risk Committee is recommended:

(1) to consider the Statement of Accounts.

(2) to note the outcomes from the informal review undertaken on 20 June immediately prior to the formal meeting at 6.30pm

(3) to recommend that the “subject to audit” Statement of Accounts approval sign off be delegated to the Chief Financial Officer for signing on or before the 30 June 2013.

8. **Internal Audit Annual Report** (Pages 109 - 128)

Report of Chief Internal Auditor.

Summary

This report sets out the Internal Audit Annual Report 2012/13

Recommendation

The Accounts, Audit and Risk Committee is recommended

(1) to consider and note the contents of this report.

9. External Audit Progress Update

Ernst & Young will provide a verbal update to the Committee.

10. Audit Committee Annual Report (Pages 129 - 134)

Report of Head of Finance and Procurement.

Summary

For the committee to review and approve the annual report of the Accounts, Audit and Risk committee for 2012/13 and recommend that it be presented to full Council.

Recommendation

To consider, amend or endorse this report for consideration at the next appropriate full council meeting.

11. Joint Whistle Blowing Policy (Pages 135 - 142)

Report of the Head of Finance and Procurement.

Summary

For the committee to consider a review of the joint Whistleblowing Policy for Cherwell District Council and South Northamptonshire Council which has resulted in some minor amendments to the policy.

Recommendation

For the Accounts, Audit and Risk Committee to:

(1) consider the updated Joint Whistleblowing Policy.

12. Review of Anti-Fraud Work 2012 - 13 (Pages 143 - 144)

Report of the Head of Finance and Procurement.

Summary

This report sets out the review of the Investigations Team work in 2012/13.

Recommendation

The Accounts, Audit and Risk Committee is recommended:

(1) to consider and note the contents of this report.

13. Internal Audit Plan and Risk Assessment 2013/14 (Pages 145 - 228)

Report of Chief Internal Auditor.

Summary

For the Committee to receive the Internal Audit Risk Assessment and Plan 2013/14 and to receive and consider the New Public Sector Internal Audit Standards and Internal Audit Charter.

Recommendation

The Accounts, Audit and Risk Committee is recommended

(1) to consider and note the contents of this report.

14. Work Programme (Pages 229 - 230)

To review and note the Committee work programme.

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

Information about this Meeting

Apologies for Absence
Apologies for absence should be notified to democracy@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 Natasha Clark / Lesley Farrell, Democratic and Elections
natasha.clark@cherwellandsouthnorthants.gov.uk, 01295 221589 /
lesley.farrell@cherwellandsouthnorthants.gov.uk, 01295 221591

Sue Smith
Chief Executive

Published on Tuesday 18 June 2013

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Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 27 March 2013 at 6.30 pm

Present:	Councillor Trevor Stevens (Chairman) Councillor Mike Kerford-Byrnes (Vice-Chairman) Councillor Colin Clarke Councillor Andrew Fulljames Councillor Lawrie Stratford Councillor Rose Stratford
Also Present:	Councillor Ken Atack, Lead Member for Financial Management
Apologies for absence:	Councillor Andrew Beere Councillor Barry Wood
Officers:	Karen Curtin, Head of Finance and Procurement Nicola Jackson, Corporate Finance Manager Claire Taylor, Corporate Performance Manager Denise Taylor, Corporate Accountant Chris Dickens, Chief Internal Auditor Gavin Lane, Democratic and Elections Officer

43 **Minutes**

The Minutes of the meeting of the Committee held on 5 December 2012 were agreed as a correct record and signed by the Chairman.

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

There were no petitions or requests at the meeting.

45 **Declarations of Interest**

There were no declarations of interest.

46 **Urgent Business**

There was no urgent business.

47 External Audit Fee Letter

The Committee considered a report of the Head of Finance and Procurement on the External Auditors' annual audit fee letter for 2012/13.

Resolved

(1) That the contents of the fee letter be noted.

48 External Audit Progress Update

The Committee considered a letter from the Chairman of the Committee to the External Audit Manager explaining how the Committee gained assurance from management about matters within its remit.

Resolved

(1) That the content of the letter signed by Councillor Stevens as Chairman of the Committee be noted.

49 External Annual Audit Plan

The Committee considered a report of the External Audit Manager on the proposed audit approach and scope for the 2012/13 audit.

Resolved

(1) That the External Annual Audit Plan be noted.

50 Internal Audit Progress Report

The Committee considered a report by the Chief Internal Auditor on the work undertaken by Internal Audit since its last meeting and the Internal Audit Draft Annual Report 2012/13.

Following the identification of a high risk issue in relation to purchase orders, the Head of Finance and Procurement confirmed that the Committee would receive a report every six months on progress in relation to the management of purchase orders. The first report would be submitted in September 2013.

After the identification of a medium risk issue in relation to the general ledger, the Head of Finance and Procurement confirmed that the Committee would receive a report on planned improvements to the ledger in September 2013.

Following a recent case of a major planning application being granted permission without appropriate authority, the Committee requested the Head of Public Protection and Development Management submit a report to the next meeting to assure the Committee that there were no other cases of this kind.

Resolved

(1) That the Internal Audit Progress Report be approved.

(2) That the Internal Audit Draft Annual Report 2012/13 be noted.

51 **Risk Management Third Quarter Review and Review of Risk Management Strategy for 2013/14**

The Committee considered a report of the Corporate Performance Manager on the revised Risk Management Strategy for 2013/14 and the management of Strategic, Corporate and Partnership Risk during the third quarter of 2012/13.

The Committee heard that a new risk management group chaired by the S151 Officer was to be established by April 2013.

Resolved

(1) That the quarter 3 Strategic, Corporate and Partnership Risk Register be noted.

(2) That the updated Risk Management Strategy for 2013/14 be agreed.

52 **Treasury Management Strategy and February 2013 Update Report**

The Committee considered a report of the Head of Finance and Procurement on the Council's treasury management performance and compliance with the treasury management policy for 2012/13, and the contents of the Treasury Management Strategy for 2013/14.

Resolved

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

53 **Review of Draft Accounting Policies 2012/13 and 2012/13 Closedown Update**

The Committee considered a report of the Corporate Accountant on the review of Draft Accounting Policies 2012/13 and closedown update.

Resolved

(1) That the Accounting Policies be approved.

(2) That authority be delegated to the Head of Finance and Procurement to make any further changes to the Accounting Policies in preparation for the forthcoming accounts closure for 2012-13.

(3) That the closedown timetable summary be noted.

54 **Work Programme**

The Committee considered its Work Programme 2012/13.

Resolved

(1) That the work programme 2012/13 be noted.

(2) That a report be presented to the next meeting on 26 June 2013 by the Head of Public Protection and Development Management to give assurance to the Committee that no major planning applications had been granted without appropriate authority.

(3) That the following additional items be considered at the Committees' meeting on 18 September 2013:

(a) progress report on the management of purchase orders, to be scheduled every six months thereafter;

(b) progress report on planned improvements to the ledger.

55 **Exclusion of Public and Press**

Resolved

That, in accordance with Section 100(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following item 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.

56 **Treasury Management Budget Monitoring and Compliance - Exempt Appendix 2**

The Committee considered the exempt appendix to the report of the Head of Finance and Procurement which updated Members on the Council's investments at 28 February 2013.

Resolved

(1) That the exempt appendix be noted.

The meeting ended at 8.02 pm

Chairman:

Date:

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 15 May 2013 at 19.42 pm

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

Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

1 **Appointment of Chairman**

Resolved

That Councillor Trevor Stevens be appointed Chairman of the Accounts, Audit and Risk Committee for the municipal year 2013/14.

2 **Appointment of Vice-Chairman**

Resolved

That Councillor Mike Kerford-Byrnes be appointed Vice-Chairman of the Accounts, Audit and Risk Committee for the municipal year 2013/14.

The meeting ended at 7.43 pm

Chairman:

Date:

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Accounts Audit and Risk Committee

Annual Governance Statement 2012/13

26 June 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is to seek approval for the Annual Governance Statement 2012/13, subject to any amendments the Accounts, Audit and Risk Committee may wish to make.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- Resolve to consider and approve the Annual Governance Statement "Subject to Audit" 2012/13.

Executive Summary

The Annual Governance Statement for 2012/13 is a public document that sets out what the Council achieved during the year and how we managed our finances.

The Annual Governance Statement is the part of the CIPFA/SOLACE governance framework. It is a wide ranging document that is governance focussed and must be considered and 'owned' corporately. The statement is separate to the Statement of Accounts.

The Statement will be circulated separately as it was not available at the time the agenda was published.

Implications

Financial:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Risk Management: There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Annual Governance Statement 2012/13 (to follow)
Background Papers	
n/a	
Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	0300 0030106 karen.curtin@cherwellandsouthnorthants.gov.uk

Accounts Audit and Risk Committee

Statement of Accounts 2012/13

26 June 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is for members to consider and endorse the Statement of Accounts for 2012/13 (subject to audit).

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:
1. To consider the Statement of Accounts set out in Appendix 1.
2. To note the outcomes from the informal review undertaken on 20th June immediately prior to the formal meeting at 6.30pm
3. To recommend that the "subject to audit" Statement of Accounts approval sign off be delegated to the Chief Financial Officer for signing on or before the 30th June 2013.

Executive Summary

As per the closedown time table, the accounts have been produced and then reviewed by officers, the Head of Service, the Chief Finance Officer and peer reviewed by PwC.

The Statement of the Accounts will be subject to an informal review in a meeting being held immediately before the formal Audit Committee meeting.

The Accounts need to be endorsed by the Chief Financial Officer and passed to external audit by 30 June 2013.

Implications

Financial: There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Risk Management:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Statement of Accounts 2012/13
Background Papers	
n/a	
Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	0300 0030106 karen.curtin@cherwellandsouthnorthants.gov.uk

CHERWELL DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT 2012/13

CONTENTS

STATEMENT OF ACCOUNTS 2012/13

INTRODUCTION

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31st March 2013. The Statement of Accounts is a statutory document providing information on the cost of services provided by Cherwell District Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). The terminology used can often be confusing so I hope you find the glossary in section 14 a useful reference.

A summary of the financial position is available in the Annual Report and Summary of Accounts and you can find a copy on our website.

Should you have any comments or wish to discuss this statement in further detail then please contact the finance team on email finance@cherwell-dc.gov.uk

We hope you find the financial statements of interest and we look forward to hearing your views.

Karen Curtin
Head of Finance and Procurement

Martin Henry
Chief Financial Officer and Director of Resources

Cherwell District Council
PO Box 27
Banbury
Oxfordshire
OX15 4BH

2. EXPLANATORY FOREWORD

The purpose of this Statement of Accounts is to present the financial results of the Council's activities for the year ended 31 March 2013, and to summarise the overall financial position of the Council as at 31 March 2013.

2.1 The Accounting Statements

The Council is required by law to complete its accounts in line with the Code of Practice on Local Council Accounting ("the Code"). In theory, the Code ensures that all local authorities produce their accounts on a consistent basis, enabling comparisons. The Code represents an attempt by accounting regulators to reconcile accounting standards in general use within the UK with the statutory local government finance framework. This is not an easy marriage: there are material differences between what accounting rules state should be included in the accounts and what legislation states should be financed by a local Council and local council taxpayers.

Accordingly there are many entries, particularly within the Comprehensive Income & Expenditure Statements, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then "reversed out" so that the bottom line financial performance is consistent with statutory requirements. The Code also requires expenditure on services to be categorised under standard headings that bear little relation to the actual organisation and structure of the Council.

The above can lead to a confusing picture if the core financial statements are taken at face value. Unfortunately, the Council has no discretion to depart from the prescribed format and content of those statements.

The Annual Governance Statement is no longer an integral part of the financial statements but is prepared as a standalone report and is available on the Council's website.

This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2012/13 in a way that the financial statements themselves may not otherwise do. This foreword has been written to provide a guide to the significant matters reported in these accounts. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

2.2 The Key Messages

In common with all local authorities, the Council faced an extremely challenging year in 2012/13 as it seeks to manage the implications of the downturn in the economy and the impact on services. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

2.2.1 Financial Challenge

The Council has top quality budgetary control and as a result has delivered during the year against revenue and capital budget within acceptable tolerances. These are based on percentage variance of revenue and capital budget against profile. (+2%/-5%) The capital programme has been continuously reviewed in detail throughout the year and capital schemes that have not yet started have either been deleted as they are no longer priorities, reduced in value due to procurement savings or specification changes, or slipped forward into future periods.

We started the year with £120.7 million of net assets. At the end of the year we had **net assets of £133.6 million, £10.9 million of earmarked reserves** and **£3.7 million of general fund reserves**. Our approved budget did not draw on General Fund balances, a reserve maintained to provide a financial cushion should something unexpected happen.

In 2012/13 we have reclassified how we show car park income and expenditure in our accounts. The net surplus of £1.3m is now part of the Highways service cost (previously it had been included in trading undertakings within Financing and Investment Income and Expenditure). We have restated the 2011/12 comprehensive income and expenditure account to show this change.

We invested £10.6 million of capital funds on a variety of capital schemes during the year, to continue **providing first-class public facilities and investment in the infrastructure of the district**. Highlights include Bicester Town Centre redevelopment, the continued support to housing projects, home improvement grants directly helping older and vulnerable people to live independently in their own homes and the installation of photovoltaics to council buildings to reduce utility costs.

We have continued to reduce our costs and have kept council tax frozen at 2009-10 rates. The 2012-13 budget has **reduced by another £2.5 million**, bringing our total reduction in net expenditure in five years to £11.4m (41%).

2.3 Revenue Expenditure

The Comprehensive income and Expenditure Statement is prepared in accordance with the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a result we have to take our services and categorise accordingly.

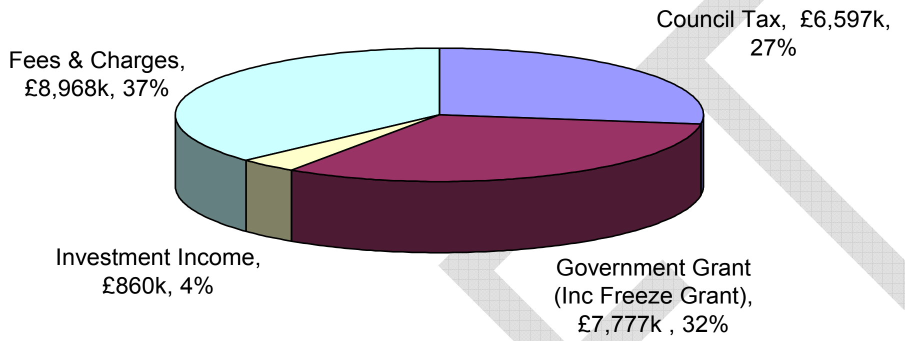
During 2012/13 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. The monthly ‘dashboard’ provides a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Directorate and individual Service level perspective. The ‘dashboard’ contains a range of cost indicators providing an easy to understand picture of the Council’s financial position. We have actively used this tool within 2012/13 to monitor progress against our efficiency targets and our aim is to develop this further within 2013/14. This has significantly increased the Council’s ability to manage day-to-day costs and is used to report quarterly to members through the monthly Performance Management Framework. The table below summarises the revenue position against budget in SeRCOP format:

TABLE TO BE UPDATED

2.4 Sources of Finance - Where the Money Came From

The following chart provides an analysis of our main sources of income for the year:

Sources of Income 2012-13



2.5 Capital Expenditure and Financing

Capital Expenditure (spending on the acquisition, creation or enhancement of fixed assets) and Capital Financing (mainly receipts from the sale of such assets in previous years), are detailed in the Notes to the Financial Statements and summarised in the tables below.

Comparison of capital spending by scheme 2012/13 against budget

Description	Annual Budget £000	Period Actual £000	Variance £000	Slippage Required £000
Biomass Heating for Bicester Leisure Centre	385	0	(385)	385
Hanwell Fields Community Centre	6	0	(6)	6
Replacement Cabling Infrastructure for CCTV	48	0	(48)	48
CCTV Internet Protocol Transmission	86	65	(21)	21
Solar Photovoltaics at Sports Centre	455	358	(97)	97
Village Hall, Recreation Play Grants	37	0	(37)	37
Football Development Plan in Banbury	20	0	(20)	20
South West Bicester Sports Village	1,366	179	(1,187)	1,187
Off Road Parking Facilities	18	0	(18)	18
Circular Walks Access Works	2	0	(2)	2
Urban Centres Improvements	15	0	(15)	15
Car Park Refurbishments	28	0	(28)	28
Implementing Vehicle Parks Proposals	20	0	(20)	17
Sports Centre Modernisation Programme	249	0	(249)	249
Energy Efficiency Projects	80	0	(80)	73
Access to Highfield Depot	22	0	(22)	22
Climate Change Initiatives Fund	24	23	(1)	0

Vehicle Replacement Programme	425	417	(8)	0
Recycling Bins	25	22	(3)	0
Environmental Services Waste Management IT System	2	0	(2)	0
Fleet Management System	28	12	(16)	16
Mini Materials Recovery Facility	29	0	(29)	29
Iclipse Software Upgrade	13	0	(13)	11
Capita Insource	14	14	0	0
Standardisation	226	226	0	0
Overarching Shared ICT Programme	4	4	0	0
Online Service Provision via Forms	5	0	(5)	0
Thin Client Extension	37	0	(37)	37
Autoteller Kiosks	15	12	(3)	0
Contact Centre Call Recording	10	10	0	0
Core Business System Integration	48	0	(48)	48
Corporate Bookings System	50	0	(50)	50
Cherwell Community Led Programme	55	47	(8)	8
Ferriston Roof Repairs	18	13	(5)	0
Thorpe Way Roof Repairs	10	0	(10)	0
Cherwell Community Led Programme	2,021	317	(1,704)	1,704
Sanctuary Acquisition Merton & Cedar	131	116	(15)	15
Bicester Cattle Market Car Park Phase 2	90	0	(90)	90
Bicester Pedestrianisation	250	0	(250)	250
Future Regeneration Schemes Preliminary Professional Fees	52	0	(52)	42
Thorpe Lane Depot Refurbishment Scheme	0	16	16	0
Old Bodicote House	445	95	(350)	348
Bicester Town Centre Redevelopment	9,980	7,201	(2,779)	2,750
Highfield Depot Repairs	16	0	(16)	16
Kidlington High Street Pedestrianisation	21	0	(21)	17
Fees of Future Regeneration Schemes	50	0	(50)	0
Orchard Way Refurbishment	250	0	(250)	250
Photovoltaic at Bodicote House & Banbury Museum	130	130	0	0
Disabled Facilities Grants	964	763	(201)	142
The Sanctuary Acquisition Scheme	4	4	0	0
Discretionary Grants for Domestic Properties	325	90	(235)	235
Housing Overcrowding Pilot scheme	50	50	0	0
Young Persons Acquisition Scheme	54	0	(54)	0
Land Claypits Lane Bicester	56	0	(56)	56
Banbury Foyer & Banbury Youth Hub	68	0	(68)	68
Purchase of Temp Accommodation Bryant House Bicester & Edward Street	132	132	0	0
Dashwood Road	66	66	0	0
Discretionary House Condition Grants	135	85	(50)	50
Eco-Town North West Bicester Primary School	0	50	50	0
Environmental Improvements Grimsbury	30	89	59	0
Capital Total	**19,195**	**10,607**	**(8,588)**	**8,457**
Banbury Young Homeless Persons - Donated Asset		565		
		11,172		

The capital programme has been financed using government grants, capital receipts and revenue contributions and is analysed by category below:

	31-Mar-13 £000s
Sources of finance	
Capital Receipts	9,617
Funding from Earmarked Reserves through Revenue	446
Government Grants and Other Contributions	544
Donated Asset contribution	565
	11,172

2.6 Revaluations

A full revaluation has been completed in 2012-13 as listed in the table below:

Asset	Book Value 31 March 12	Gross Valuation 31 March 13	Revaluation Gain	Revaluation Loss
Town Centre Car Parks	11,468,313	18,899,997	7,431,684	
Spiceball Sports Centre, Banbury	15,109,346	17,780,000	2,670,654	
Stratfield Brake Community Association, Kidlington	0	2,360,000	2,360,000	
Kidlington & Gosford Sports Centre, Kidlington	12,353,464	14,450,000	2,096,536	
Bicester Ploughley Sports Centre, Bicester	12,513,200	13,587,500	1,074,300	
Hanwell Fields Community Association, Banbury	0	1,000,000	1,000,000	
Woodgreen Leisure Centre, Banbury	5,153,565	5,950,000	796,435	
Chasewell Grange Community Association, Banbury		720,000	720,000	
Bus Station, Banbury	1,414,080	2,000,000	585,920	
Southwold Community Association, Bicester	0	560,000	560,000	
Willy Freund Boys Club, Banbury	0	545,000	545,000	
Drayton School Pavilion, Banbury	0	505,000	505,000	
Jack & Jill Playgroup, Bicester	0	490,000	490,000	
Banbury Museum	5,542,126	5,940,000	397,874	
Oxford House, Bicester	164,789	540,000	375,211	
Langford Village Community Association, Bicester	0	360,000	360,000	
Grimsbury Community Association, Banbury	0	345,000	345,000	
Bridge Street Public Conveniences, Banbury	34,250	120,000	85,750	
Highfield Depot, Bicester	306,209	385,000	78,791	
Former Spiceball Sports Centre, Banbury	627,914	720,000	92,086	
Chapel Street Washroom, Bicester	0	52,000	52,000	
68 Springfield Avenue, Banbury	82,180	105,000	22,820	
Horsefair Public Conveniences, Banbury	219,310	240,000	20,690	
Unit 18 Thorpe Place, Banbury	44,483	63,000	18,518	
Claremont Public Conveniences, Bicester	133,875	150,000	16,125	
Land at Woodpiece Road, Upper Arncott	15,000	30,000	15,000	
Watts Way Public Convenience, Kidlington	116,206	127,000	10,794	
Caretaker's Lodge, Bodicote	215,600	230,000	14,400	
Thorpe Lane Depot, Banbury	2,165,012	1,125,000		(1,040,012)
Bodicote House, Banbury	9,225,707	8,440,000		(785,707)
Tooley's Boatyard, Banbury	585,718	356,000		(229,718)
Bure Place Public Conveniences, Bicester	178,560	0		(178,560)
Shop Mobility, Crown Walk, Bicester	62,920	0		(62,920)
Castle Quay Tourist Information Centre, Banbury	666,240	625,000		(41,240)
Car Parking Wardens Office, Banbury	45,024	34,000		(11,024)
Exeter Hall, Kidlington	60,480	60,000		(480)
Shared Ownership Properties				
· 26 Brooklands, Hook Norton, OX15 5LN	53,873	90,700	36,827	
· Hobbit's Corner, Hook Norton, OX5 5LN	53,873	90,700	36,827	
· Willow Tree Cottage, Hook Norton, OX5 5LN	53,873	90,700	36,827	
· Brook View, Hook Norton, OX5 5LN	53,873	90,700	36,827	
· 7 Duxford Close, Bicester, OX26 4FW	26,117	61,250	35,133	
· 12 Rowan Close, Kidlington, OX5 1EU	87,300	120,000	32,700	
· 27 Flatford Place, Kidlington, OX5 1TQ	72,750	105,000	32,250	
· 38 White Way, Kidlington, OX5 2XA	82,450	110,000	27,550	
· 14 Wilsdon Way, Kidlington, OX5 1TN	71,295	92,500	21,205	
· 36 Duxford Close, Bicester, OX26 4FW	78,813	100,000	21,188	
· 19 Daimler Avenue, Banbury, OX16 1EB	64,263	80,000	15,738	
· 37 Roman Way, Bicester, OX26 6FH	70,325	85,000	14,675	
· 32 Bassett Avenue, Bicester, OX26 4TZ	80,025	92,500	12,475	
· 18 Duxford Close, Bicester, OX26 4FW	73,963	84,000	10,038	
· 58 Nuffield Drive, Banbury, OX16 1BX	71,780	80,000	8,220	
· 15 Osborne Close, Bicester, OX26 2FU	78,813	86,250	7,438	
· 40 Hereford Way, Banbury, OX16 1UD	63,050	70,000	6,950	
· 20 Whitley Crescent, Bicester, OX26 4XR	78,813	85,000	6,188	
· 28 Chamberlain Place, Kidlington, OX5 1SQ	80,025	59,000		(21,025)
· 2 Cherry Close, Kidlington, OX5 1ET	43,650	41,937		(1,713)
Bodicote Park, Banbury	300,000	300,000	0	
70 West Street, Banbury	150,000	150,000	0	
7 Acres at Wildmere Industrial Estate, Banbury	10,500	10,500	0	
Dovecote, Milcombe	0	0	0	
Trow Pool Water Tower, Bicester	0	0	0	
Town Hall Basement, Banbury	0	0	0	
38 Market Square, Bicester	0	0	0	
Hardwick Community Association, Banbury	0	0	0	
Giants Cave, Broughton	0	0	0	
	80,302,993	**101,070,234**	**23,139,640**	**(2,372,399)**

Revaluation gain material movements:

TABLE TO BE UPDATED

2.7 Reserves and Balances Summary

The Council's accounts are prepared on a going concern basis. In considering the sustainability of the Council's expenditure plans, a key factor is the level of reserves which are likely to be available to the Council and their ability to support the underlying level of expenditure in the long term.

We have made use of a number of earmarked reserves this year, utilising specifically set aside funds to assist in the funding of capital projects, the expression of interest initiative, invest to save initiatives, restructuring, self insurance and to meet legal or planning appeals. A full list of these reserves is shown in Note 8.6. These reserves are reviewed regularly throughout the year to ensure that they are set at an appropriate level.
We maintain a general reserve to provide a financial cushion should something unexpected happen that may lead to significant unplanned expenditure and to assist with our longer term financial planning.

2.8 Treasury Management Performance

The Council has significant cash reserves which it invests through the Money Market. The interest earned is credited to the Income and Expenditure Account.

Treasury Management includes the management of cash flows, banking, money market transactions and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

For the Council this involves managing our cash flow on a daily basis and using the money market to make investments with approved counterparties to ensure best value for money.

As at 31 March 2013 we had a total of £64.4million (2011/12 £66.9million) invested, of which £9.2million were classified as cash and cash equivalents (2011/12 £13.1million).

2.9 Investments in Iceland

Cherwell District Council was one of at least 123 local authorities that were affected by the collapse of Icelandic banking institutions.

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £6.5m deposited with one of these institutions, Glitnir, with varying maturity dates and interest rates as follows:

Glitnir	Date Invested	Maturity Date	Amount Invested	Interest Rate
Investment 1	06/02/07	08/02/10	£2,000,000	5.74%
Investment 2	26/10/06	26/10/09	£2,000,000	5.72%
Investment 3	31/08/07	30/03/09	£2,500,000	6.30%
			£6,500,000	

The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.2%.

The Glitnir investment remaining in the Council's balance sheet at 31March 2013 is £1.47m

Glitnir	Claim Ref	Total Claim Value	Claim Value in Escrow at 31/3/2013	Claim Value in Escrow at 31/3/2013 £1 : 188.97 ISK
		ISK	ISK	£
Investment 1	1819	430,659,559	85,605,300	453,010
Investment 2	1870	436,659,157	86,797,889	459,321
Investment 3	1888	527,451,012	104,845,280	554,825
		1,394,769,728	277,248,469	1,467,156

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 7. There was foreign exchange gain recognised of £97,158 at the balance sheet date.

2.10 Collection Fund

As a billing Council, the Council is required to maintain a Collection Fund, which accounts for the transactions relating to Council Tax and Business Rates. The balance carried forward at 31st March 2013 is £1.50m surplus. The Council Tax element of this surplus will be shared by the District Council and the major precepting bodies.

2.11 Pension

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £53.3 million shown in the Balance Sheet, an increase of £0.5 million in the year. The main drivers for this reduction include:

- The completion of the 2010 actuarial valuation has been rolled forward and the assessment at 31 March 2013 is based on the assumptions. The performance of the funds and the outcome of the valuation have led to an actuarial loss of £1.8m .

The liability represents our share of the liability to Oxfordshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the Council's overall financial position and its General Fund Balances but does reduce the net worth of the Council.

Further details are set out in the Accounting Policies (Note 13.8.3) and Pension Notes (section 12).

2.12 Audit

The first draft of these accounts is scheduled to be endorsed for audit by the Chief Financial Officer no later than 30th June 2013.

2.13 Explanation of the Statements

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, the Core Statements and the associated notes. There is a short explanation of each of the core statements and in addition there is a glossary of financial terms to assist the reader.

Karen Curtin ACCA **Date:**
Head of Finance & Procurement

Martin Henry
Chief Financial Officer and Director of Resources **Date:**

3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

3.2 The Chief Financial Officer's responsibilities

The Chief Financial Officer (151 Officer) is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA/ LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the Code of Practice).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the IFRS Code of Practice;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3.3 Chief Financial Officer Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2013.

Martin Henry
Chief Financial Officer
Director of Resources **Date:** June 2012

3.4 Chairman of Accounts, Audit and Risk Committee Certificate

I certify that the Statement of Accounts has received the full approval of Members.

Councillor Trevor Stevens
Chairman of Accounts, Audit and Risk Committee **Date**:

4. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Balance 1 April 2012	**(3,687)**	**(10,223)**	**(38,954)**	**(567)**	**(53,431)**	**(67,290)**	**(120,721)**
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of service	12,214	0	0	0	**12,214**	0	**12,214**
Other Comprehensive Income & Expenditure		0	0	0	**0**	(25,102)	**(25,102)**
Total Comprehensive Income & Expenditure	**12,214**	**0**	**0**	**0**	**12,214**	**(25,102)**	**(12,888)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	(13,277)	0	8,562	520	**(4,195)**	4,195	**0**
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation		0	0	0	**0**	0	**0**
Increase / decrease before transfers to Earmarked Reserves	**(1,063)**	**0**	**8,562**	**520**	**8,018**	**(20,907)**	**(12,888)**
Transfers to/from Earmarked Reserves	1,060	(1,060)	0	0	**0**	0	**0**
Use of reserves for capital financing	0	422	0	0	**422**	(422)	**0**
Write-off of Glitnir, Iceland investment	0	0	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**1,060**	**(638)**	**0**	**0**	**422**	**(422)**	**0**
Increase / decrease in 2012/13	**(3)**	**(638)**	**8,562**	**520**	**8,440**	**(21,328)**	**(12,888)**
Balance at 31 March 2013 carried forward	**(3,690)**	**(10,861)**	**(30,392)**	**(47)**	**(44,990)**	**(88,619)**	**(133,609)**

Comparative figures for 2011/12 are:

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance 1 April 2011	**(2,220)**	**(8,545)**	**(38,830)**	**(712)**	**(50,307)**	**(84,242)**	**(134,549)**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of service	4,067	0	0	0	**4,067**	0	**4,067**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	12,984	**12,984**
Total Comprehensive Income & Expenditure	**4,067**	**0**	**0**	**0**	**4,067**	12,984	**17,051**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	(7,551)	0	3,106	145	**(4,300)**	4,300	**0**
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation	0	7	(3,230)	0	**(3,223)**	0	**(3,223)**
Increase / decrease before transfers to Earmarked Reserves	**(3,484)**	**7**	**(124)**	**145**	**(3,456)**	**17,284**	**13,828**
Transfers to/from Earmarked Reserves	632	(632)	0	0	**0**	0	**0**
Use of reserves for capital financing	0	332	0	0	**332**	(332)	**0**
Write-off of Glitnir, Iceland investment	1,385	(1,385)	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**2,017**	**(1,685)**	**0**	**0**	**332**	**(332)**	**0**
Increase / decrease in 2011/12	**(1,467)**	**(1,678)**	**(124)**	**145**	**(3,124)**	**16,952**	**13,828**
Balance at 31 March 2012 carried forward	**(3,687)**	**(10,223)**	**(38,954)**	**(567)**	**(53,431)**	**(67,290)**	**(120,721)**

5. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

RESTATED Gross Expenditure 31-Mar-12 £000	RESTATED Gross Income 31-Mar-12 £000	RESTATED Net Expenditure 31-Mar-12 £000		Gross Expenditure 31-Mar-13 £000	Gross Income 31-Mar-13 £000	Net Expenditure 31-Mar-13 £000
8,861	(8,299)	562	Central Services to the Public	9,014	(8,448)	566
8,552	(1,803)	6,749	Cultural & Related Services	6,094	(1,851)	4,243
8,648	(1,923)	6,724	Environmental Services	8,697	(2,396)	6,301
4,537	(2,368)	2,170	Planning & Development	5,220	(2,599)	2,621
1,709	(2,706)	(997)	Highways, Roads & Transport Services	3,938	(2,206)	1,732
41,702	(37,435)	4,267	Other Housing Services (General Fund)	43,519	(38,578)	4,941
2,158	(69)	2,089	Coporate and Democratic Core	2,203	(70)	2,133
784	0	784	Non Distributed Services	1,159	0	1,159
76,952	**(54,603)**	**22,348**	**Net Cost of Services**	**79,845**	**(56,147)**	**23,697**
		3,213	Other Operating Expenditure (Note 8.7)			3,066
		(2,197)	Financing and Investment Income & Expenditure (Note 8.8)			4,051
		(19,297)	Taxation and Non-Specific Grant Income (Note 8.9)			(18,600)
		4,067	**(Surplus) / deficit on Provision of Service**			**12,214**
		(4,953)	(Surplus) / deficit on the revaluation of non-current assets (Note 8.23.1)			(23,350)
		17,937	Actuarial (gains) / losses on pension assets & liabilities (Note 12.3.6)			(1,752)
		12,984	**Other Comprehensive Income & Expenditure**			**(25,102)**
		17,051	(Surplus)/ deficit on Total Comprehensive Income & Expenditure			**(12,888)**

In 2011/12 Car & Lorry Parks were included in Financing and Investment Income & Expenditure line. This income and expenditure should have been categorised as Highways as per the SERCOP 2012/13 Code of Practice. The Income and Expenditure Account has been restated to show this change. The Net surplus for Car & Lorry Parks of (£1,482,000) has moved up into the Net Cost of Services but has no impact on the bottom line or on the Balance Sheet.
The original 2011/12 Comprehensive Income and Expenditure account is shown below for comparison.

Gross Expenditure	Gross Income	Net Expenditure		RESTATED Gross Expenditure	RESTATED Gross Income	RESTATED Net Expenditure
31-Mar-12	31-Mar-12	31-Mar-12		31-Mar-12	31-Mar-12	31-Mar-12
£000s	£000s	£000s		£000	£000	£000
8,861	(8,299)	562	Central Services to the Public	8,861	(8,299)	562
8,552	(1,803)	6,749	Cultural & Related Services	8,552	(1,803)	6,749
8,648	(1,923)	6,725	Environmental and Regulatory Services	8,648	(1,923)	6,724
4,537	(2,368)	2,169	Planning Services	4,537	(2,368)	2,170
635	(150)	485	Highways, Roads & Transport Services	1,709	(2,706)	(997)
41,702	(37,435)	4,267	Housing Services	41,702	(37,435)	4,267
2,158	(69)	2,089	Coporate and Democratic Core	2,158	(69)	2,089
784	0	784	Non Distributed Services	784	0	784
75,876	**(52,046)**	**23,830**	**Net Cost of Services**	**76,951**	**(54,603)**	**22,348**
		3,213	Other Operating Expenditure (Note 8.7)			3,213
		(3,679)	Financing and Investment Income & Expenditure (Note 8.8)			(2,197)
		(19,297)	Taxation and Non-Specific Grant Income (Note 8.9)			(19,297)
		4,067	**(Surplus) / deficit on Provision of Service**			**4,067**
		(4,953)	(Surplus) / deficit on the revaluation of non-current assets (Note 8.23.1)			(4,953)
		17,937	Actuarial (gains) / losses on pension assets & liabilities (Note 12.3.6)			17,937
		12,984	**Other Comprehensive Income & Expenditure**			**12,984**
		17,051	(Surplus)/ deficit on Total Comprehensive Income & Expenditure			**17,051**

6. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31-Mar-12 £000s		Notes	31-Mar-13 £000s
89,052	Property, Plant & Equipment	8.10	114,860
27,560	Investment Property	8.12	22,642
1,349	Intangible Assets	8.13	1,296
5,041	Long Term Investments	8.16	0
70	Long Term Debtors		83
123,072	**Long Term Assets**		**138,881**
48,365	Short Term Investments	8.16	53,366
215	Inventories		235
14,325	Short Term Debtors	8.18	10,274
13,608	Cash and Cash Equivalents	8.19	11,049
76,513	**Current Assets**		**74,924**
(496)	Bank Overdraft	8.19	(1,891)
(7,767)	Short Term Creditors	8.20	(9,699)
(355)	Provisions	8.21	(398)
(8,618)	**Current Liabilities**		**(11,988)**
(53,772)	Liability Related to Defined Benefit Pension Scheme	12.3	(53,348)
(2,667)	Provisions	8.21	(694)
(13,807)	Capital Grants Receipts in Advance	8.34	(14,162)
(70,766)	**Long Term Liabilities**		**(68,204)**
120,721	**Net Assets**		**133,609**
(53,431)	Usable Reserves	8.22	(44,990)
(67,290)	Unusable Reserves	8.23	(88,619)
(120,721)	**Total Reserves**		**(133,609)**

7. CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

31-Mar-12		Note	31-Mar-13
(4,067)	Net Surplus or (Deficit) on the Provision of Services		(12,214)
5,857	Adjustments to net surplus or deficit on the provision of services for non-cash movements		11,681
(403)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		(678)
1,387	Net cash flows from Operating Activities	8.24	(1,213)
5,123	Investing Activities	8.25	(5,075)
(1,110)	Financing Activities	8.26	2,332
5,400	Net increase or (decrease) in cash and cash equivalents		(3,955)
7,712	Cash and cash equivalents at the beginning of the reporting period		13,113
13,112	**Cash and cash equivalents at the end of the reporting period**	**8.19**	**9,158**

8. NOTES TO THE CORE FINANCIAL STATEMENTS

8.1 Critical judgements in applying accounting polices

In applying the accounting policies set out in Note 13, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Funding of Local Government

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Heritage Assets

The 2012/13 Code adopts the requirements of FRS 30 *Heritage Asset.* Heritage assets are maintained principally for their contribution to knowledge and culture and it is this which distinguishes them from other assets. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council has reviewed its current Community Asset portfolio and concluded that none of these assets meet the definition of a Heritage Asset and falls outside the scope of FRS 30 and continues to be accounted for as Community Assets on the Balance Sheet.

The Council has reviewed the arrangements in relation to Banbury Museum and concluded that the museum building does not meet the definition of a Heritage Asset and falls outside the scope of FRS 30, as the economic benefit or service potential generated is as a result of the operational function it provides.

The Council has reviewed the arrangements surrounding the museum exhibits and collections. In applying its accounting policies has concluded that these should not be recognised on the Balance Sheet.

The majority of exhibits and collections within the museum are loaned to the Council for the duration of each exhibition put on at the museum. The Council has no legal right or ownership of these exhibits and they have not been recognised on the Council's balance sheet.

The few items that are in the Council's ownership are significantly controlled by the County Museum Service and the Council has no cost information and no insurance or other valuations are held on these assets. Therefore these assets have no material economic benefit attached intrinsically to them. In applying the accounting policies the Council has concluded that the economic and service potential generated is as a result of the operational function of the museum service provided (the exhibitions and displays provided rather then the exhibits themselves).

8.2 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Depreciation of Property, Plant & Equipment	The Council assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.	Where the Council determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Council's accounts when the change in estimate is determined. The carrying value of assets in the balance sheet is £114,860k
Impairment of Property, Plant & Equipment & Intangible Assets	The Council assesses the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards Factors that are considered important and which could trigger an impairment review include the following: • obsolescence or physical damage; • significant changes in technology and regulatory environments; • significant underperformance relative to expected historical or projected future operating results; • significant changes in the use of its assets or the strategy of the overall business; • significant negative industry or economic trends; and • significant decline in the market capitalisation relative to net book value for a sustained period.	The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement which is determined by a qualified valuer.
Fair Value Estimation		The nominal value of receivables (less any valuation allowance) and payables are assumed to approximate their fair values. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts. The fair value of financial liabilities

		measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.
Impairment allowance for doubtful debt	The Impairment allowance for doubtful debt reflects the Council's estimates of losses arising from the failure or inability of the Council's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Council's historical write-off experience.	Changes to the allowance may be required if the financial condition of the Council's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.
Pensions	The Council provides one defined benefit pension scheme for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as: • the life expectancy of the Officers; • the length of service; • the rate of salary progression; • the rate of return earned on assets in the future; • the rate used to discount future pension liabilities; and • future inflation rates.	The assumptions used by the Council are set out in note 12 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils. Changes to these assumptions could materially affect the size of the defined benefit scheme's liabilities and assets disclosed in note 12.

8.3 Events after the balance sheet date

The Statement of Accounts will be authorised for issue by the Chief Financial officer on 19th September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

8.5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

31-Mar-13	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non current assets	(4,363)			**4,363**
Amortisation of intangible assets	(305)			**305**
Revaluation losses on Property Plant and Equipment	(2,458)			**2,458**
Revenue expenditure funded from capital under statute	(1,445)			**1,445**
Movements in the market value of Investment Properties - I&E	(5,093)			**5,093**
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(21)			**21**
FV and Historic Cost Depreciation Adjustment				**0**
Contributions in relation to donated assets credited to the CIES	565			**(565)**
Capital expenditure charged against the General Fund (RCCO)	24			**(24)**
Adjustments involving the Capital Grants Unapplied Account				
Capital Grants and contributions unapplied credited to the CIES	(520)		520	
Application of grants to capital financing transferred to the CAA	544			**(544)**
Adjustments involving the Capital Receipts Reserve:				
Other capital cash receipts	1,052	(1,052)		
Use of the Capital Receipts Reserve to finance new capital expenditure		9,616		**(9,616)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(8)	8		**0**
Adjustments Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		(10)		**10**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,150)			**4,150**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,822			**(2,822)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	59			**(59)**
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	20			**(20)**
TOTAL ADJUSTMENTS	**(13,277)**	**8,562**	**520**	**4,195**

31-Mar-12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation and impairment of non current assets	(4,032)	0	0	**4,032**
Amortisation of intangible assets	(402)	0	0	**402**
Revaluation losses on Property, Plant & Equipment	(2,169)	0	0	**2,169**
Revenue expenditure financed from capital under statute	(1,330)	0	0	**1,330**
Movements in the market value of Investment Properties	(103)	0	0	**103**
Amount of Non-Current Assets written off on disposal as part of the gain/loss on disposal to the CIES	(26)	0	0	**26**
Adjustments involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA	0	0	145	**(145)**
Adjustments involving the Capital Receipts Reserve:				
Other capital cash receipts	830	(830)	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,938	0	**(3,938)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)	4	0	**0**
Adjustments Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(6)	0	**6**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,263)	0	0	**3,263**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,898			**(2,898)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income credited to the CIES differs from the council tax income calculated for the year in accordance with statutory requirements	21	0	0	**(21)**
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES differs from remuneration chargeable in the year in accordance with statutory requirements	29	0	0	**(29)**
Total Adjustments	**(7,551)**	**3,106**	**145**	**4,300**

8.6 Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Reserve	Balance 31-Mar-12	Transfer in	Transfer out	Year End Review of Reserves	Statutory Accounts Balance 31-Mar-13
General Fund:	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Self Insurance	(350)	0	102	88	(160)
Building Control	(47)	0	0		(47)
Plant & Transport Renewals Fund	(400)	0	400	(250)	(250)
High Speed 2	(14)	0	0		(14)
Wheeled Bin Replacements	(240)	0	22	68	(150)
Environmental Warranties	(2,601)	0	57	303	(2,240)
Corporate Transformation	(708)	0	80	(116)	(744)
Planning Control	(699)	0	0	99	(600)
Planning Policy	(650)	(356)	462	44	(500)
Corporate IT	(300)	(11)	125	(114)	(300)
Hanwell Fields Open Space	(91)	0	2		(89)
Licensing	(69)	(46)	0	45	(70)
Elections	(50)	0	0		(50)
Jubilee / Olympics	(50)	0	29		(21)
Economic Risk	0	(250)	0		(250)
Country Park Option Appraisal	0	(50)	0		(50)
Special Initiatives	0	(269)	0	(31)	(300)
Welfare Reform	0			(150)	(150)
Apprentices	0	(64)	0	14	(50)
	(6,269)	**(1,046)**	**1,279**	**0**	**(6,036)**
Earmarked Reserves from Grants & Contributions					
Eco Town Revenue	(1,665)	(145)	298	0	(1,512)
Planning Delivery Grant	(514)	0	34	0	(480)
Broadfield Road Yarnton Sports	(159)	(1)	10	0	(150)
Homelessness Prevention	(197)	0	30	0	(167)
Planning Policy Statement Climate Change	(82)	0	0	0	(82)
Government Grant LABGI	(80)	0	31	0	(49)
Bicester Fields Main Park	(98)	(0)	0	0	(98)
Flood Recovery Grant	(94)	0	0	0	(94)
Bicester Youth Bus	(65)	0	0	0	(65)
Dovecote Milcombe	(55)	(0)	0	0	(55)
Area Based Grant	(84)	0	2	0	(82)
New Homes Bonus	(496)	(646)	0	0	(1,142)
Green Deal Pioneer Places	0	(145)	0	0	(145)
Local Government Resource Review	0	(84)	0	0	(84)
Total of smaller grants and contributions under £50,000	(365)	(286)	31	0	(620)
	(3,954)	**(1,307)**	**436**	**0**	**(4,825)**
Total Earmarked Reserves	**(10,223)**	**(2,353)**	**1,715**	**0**	**(10,861)**

* One employment tribunal claim relating to the shared management business case and subsequent restructure was commenced against the Council in 2012/13. Cherwell is responsible for 60% of these costs under the business case. Cherwell's share of the cost of settlement of this claim (in 2013/14) was

£90,000 which was charged to the Self Insurance Reserve and included as an accrual in the 2012/13 accounts.

Reserves	Balance 31-Mar-11	Transfer in	Transfer out	Statutory Accounts Balance 31-Mar-12
	£000s	**£000s**	**£000s**	**£000s**
Earmarked Reserves				
Ex-HRA Insurance	(300)	(111)	61	(350)
Joint Working	(339)	0	339	0
Building Control	(47)	0	0	(47)
Plant & Transport Renewals Fund	(314)	(400)	314	(400)
High Speed 2	(50)	0	36	(14)
Wheeled Bin Replacements	(307)	0	67	(240)
Environmental Warranties	(1,855)	(1,385)	639	(2,601)
Corporate Improvement	(364)	(495)	151	(708)
Planning Control	(1,008)	(310)	619	(699)
Planning Policy	(350)	(300)	0	(650)
Corporate IT	(74)	(253)	27	(300)
Hanwell Fields Open Space	(100)	(91)	100	(91)
Licensing	(46)	(23)	0	(69)
Elections	0	(50)	0	(50)
Jubilee / Olympics	0	(50)	0	(50)
	(5,154)	**(3,468)**	**2,353**	**(6,269)**
Earmarked Reserves from Grants & Contributions				
Eco Town Revenue	(1,573)	(376)	284	(1,665)
Planning Delivery Grant	(601)	0	87	(514)
Broadfield Road Yarnton Sports	(158)	(1)	0	(159)
Homelessness Prevention	(155)	(43)	1	(197)
Planning Policy Statement Climate Change	(82)	0	0	(82)
Government Grant LABGI	(117)	0	37	(80)
Bicester Fields Main Park	(98)	(0)	0	(98)
Flood Recovery Grant	(94)	0	0	(94)
Bicester Youth Bus	(65)	0	0	(65)
Dovecote Milcombe	(55)	(0)	0	(55)
Area Based Grant	(51)	(52)	19	(84)
New Homes Bonus	0	(496)	0	(496)
Total of smaller grants and contributions under £50,000	(344)	(78)	57	(365)
	(3,393)	**(1,046)**	**485**	**(3,955)**
Total Earmarked Reserves	**(8,547)**	**(4,514)**	**2,838**	**(10,223)**

The following table gives an indication on how the earmarked reserves > £350k will be used:

Environmental Warranties	To fund commitment on asbestos for the period associated with Stock Transfer Contract
Corporate Transformation	Change reserve to fund restructuring and business transformation projects
Planning Control & Policy	Created to cover planning appeals
Corporate IT	To fund the next stages of the IT transformation including the harmonisation of the systems between Cherwell District Council and South Northants Council
Special Initiatives	Revenue reserve created to fund projects that deliver housing and economic growth
Eco Town Revenue	Funds for the Eco Town in Bicester
Planning Delivery Grant	To fund projects that support new homes
New Homes Bonus	A 'bonus' for new homes by match funding the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years.
Green Deal Pioneer Places	To help fund a Green Deal network of local assessors and installers in Bicester.
Local Government Resource Review	To fund the costs and implications associated with LGRR

8.7 Other Operating Expenditure

31-Mar-12 £000s		31-Mar-13 £000s
4,013	Parish Council Precepts	4,089
4	Payments to the Government Housing Capital Receipts Pool	8
26	(Gains) / losses on the disposal of non current assets	21
(830)	Income from disposal of capital interests	(1,052)
3,213	**Total**	**3,066**

8.8 Financing and Investment Income and Expenditure

31-Mar-12 £000s RESTATED		31-Mar-13 £000s
0	Interest payable and similar charges	0
1,117	Pensions interest cost and expected return on pensions assets	1,722
(998)	Interest receivable and similar income	(920)
103	Income and expenditure in relation to investment properties and changes in their fair value	5,093
(1,212)	Other investment income / expenditure (Glitnir)	(97)
(1,207)	Surplus on trading undertakings*	(1,746)
(2,197)	**Total**	**4,051**

*Car & Lorry Parks have been removed from Trading and categorised as Highways per the SERCOP 2012/13 Code of Practice. The Net surplus for 2012/13 is (£1,267) and 2011/12 (£1,482).

8.9 Taxation and Non Specific Grant Income

31-Mar-12 £000s		31-Mar-13 £000s
(10,382)	Council Tax Income	(10,539)
(155)	Council Tax Freeze Grant	(156)
(6,596)	Non Domestic Rates	(7,629)
(2,038)	Non-ringfenced government grants	(148)
(126)	Capital grants and contributions	(83)
0	Donated Asset contribution	(565)
0	Reversal capital grants and contribution deposits	520
(19,297)	**Total**	**(18,600)**

8.10 Property, Plant & Equipment

At Cherwell District Council, for the financial year 2012/13, all property valuations are carried out by John Slack MRICS, Chief Valuer Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

31-Mar-13	Operational Assets			Community Assets	Non-Operational Assets		Total
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	£000s	Assets Held For Sale £000s	Assets under Construction £000s	£000s
Cost or valuation							
As at 1st April 2012	98,790	9,130	5,371	396	0	241	113,927
Additions	1,186	530	7,203	0	0	543	9,462
Derecognition - Disposals	0	(495)	0	(10)	0	0	(505)
Revaluation increases / decreases recognised in the Revaluation Reserve	19,584	0	0	0	0	0	19,584
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(2,315)	0	0	0	0	0	(2,315)
Reclassification	(162)	0	0	0	0	0	(162)
Other movements in Cost or Valuation							0
As at 31st March 2013	**117,083**	**9,164**	**12,574**	**386**	**0**	**784**	**139,991**
Accumulated Depreciation and Impairment							
As at 1st April 2012	(17,494)	(5,868)	(1,450)	(63)	0	0	(24,875)
Depreciation Charge	(2,842)	(1,335)	(186)	(1)	0	0	(4,363)
Derecognition - Disposals	0	484	0	1	0	0	485
Depreciation written out to the Revaluation Reserve	3,622	0	0	0	0	0	3,622
As at 31st March 2013	**(16,713)**	**(6,719)**	**(1,636)**	**(62)**	**0**	**0**	**(25,131)**
Net Book Value							
At 31st March 2013	100,370	2,445	10,937	324	0	784	114,860
At 31st March 2012	81,296	3,262	3,920	333	0	241	89,052

Comparative Movements in 2011/12:

31-Mar-12	Operational Assets			Community Assets	Non-Operational Assets		Total
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	£000s	Assets Held For Sale £000s	Assets under Construction £000s	£000s
Cost or valuation							
As at 1st April 2011	95,886	9,128	5,311	396	0	21	110,742
Additions	1,620	645	60	0	0	220	2,545
Derecognition - Disposals		(643)	0	0	0	0	(643)
Revaluation increases / decreases recognised in the Revaluation Reserve	3,655	0	0	0	0	0	3,655
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(2,371)	0	0	0	0	0	(2,371)
As at 31st March 2012	**98,790**	**9,130**	**5,371**	**396**	**0**	**241**	**113,927**
Accumulated Depreciation and Impairment							
As at 1st April 2011	(16,541)	(5,054)	(1,261)	(62)	0	0	(22,917)
Depreciation Charge	(2,454)	(1,387)	(190)	(1)	0	0	(4,032)
Derecognition - Disposals		572	0		0	0	572
Depreciation written out to the Revaluation Reserve	1,501	0	0	0	0	0	1,501
As at 31st March 2012	**(17,494)**	**(5,868)**	**(1,450)**	**(63)**	**0**	**0**	**(24,875)**
Net Book Value							
At 31st March 2012	81,296	3,262	3,920	333	0	241	89,052
At 31st March 2011	79,345	4,074	4,050	334	0	21	87,825

The table below distinguishes between assets held at "historical cost" and at "fair value" in the balance sheet.

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Asset under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at historical cost		2,445	10,937	0	0	13,382
Valued at Fair Value @						
31-Mar-13	100,370	0	0	324	784	101,478
31-Mar-12	0	0	0	0	0	0
31-Mar-11	0	0	0	0	0	0
31-Mar-10	0	0	0	0	0	0
31-Mar-09	0	0	0	0	0	0
Total Value At 31st March 2013	**100,370**	**2,445**	**10,937**	**324**	**784**	**114,860**

Revaluations

The Council carries out a rolling programme that ensures that all Property Plant & Equipment required to be measured at fair value is re valued every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standard of the Royal Institute of Chartered Surveyors. Vehicle plant and equipment are carried at depreciated historic cost. In 2012/13 a full valuation exercise was undertaken by the Chief Valuer.

8.11 Heritage Assets

8.11.1 Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Council Accounting in the United Kingdom

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 introduced a change to the treatment in accounting for heritage assets held by the Council.

As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2012/13 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 13.21).

In the Council's critical judgements in applying accounting policies (see Note 8.1), the Council has concluded that there are no assets to recognise on its balance sheet that were not previously recognised or no heritage assets previously recognised within community assets that should be reclassified as heritage assets in the Balance Sheet.

8.11.2 Heritage Assets: Information on the Council's Museum Service

The Banbury Museum

The origins of Banbury Museum stretch back into the middle and early 20th century, when a small collection was formed and displayed in the town library in Marlborough Road. At this time, the library service was delivered by the Banbury Borough Council.

In 1974, the Banbury Borough ceased to exist, and a new Council, Cherwell District Council was created. Cherwell District Council and Oxfordshire County Council agreed to collaborate and create a museum for Banbury. This partnership agreed that the collection would be managed and displayed by the County Museum Service, and the District would provide the building and front of house staff. All items collected after this date were added to the County Museum Collection, those items collected before 1974 remained in Cherwell District Council ownership, however with the significant control of these assets resting with the County Museum Service.

In 1980 a new Banbury Museum opened in Horsefair, Banbury, and it remained here until the Museum moved to its new permanent home at Castle Quay in 2002.

The agreement with the County Museum Service was changed in 1998, when the County withdrew from the partnership, although the County Collection remained accessible. From this date Cherwell District Council employed its own professional museum staff, and purchased conservation and technical support from the County Museum Service. Objects acquired for the collection were added to the County Collection as before.

The new Banbury Museum displays permanent collections over 300 square metres. This primarily draws from the County Museum Service Collection, some of which are from the pre1974 group of objects. There are other significant groups of objects on loan, including 17th century arms and armour from the Royal Armouries, the Town Maces, on loan from the Town Council, and silver from St Mary's Church.

The collections displayed are in the main part regularly audited by the lenders. Oxfordshire Museum Service audits their collection annually, and the Royal Armouries do so approximately once every three years. Both St Mary's Church and the Town Council remove their loans from time to time for use.

The Heritage Lottery Fund (HLF) required an agreement between Cherwell District Council and Oxfordshire County Council so that the collection can not be withdrawn. As a result, there is a contract in place with the County Museum Service, agreeing to the use of the collection in Banbury Museum for 25 years, from 2002.

The Council's main function in relation to the museum at the Council is delivering the museum service and the assets on display are from third parties or are significantly influenced by the County Museum Service.

8.12 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

31-Mar-12 £000s		31-Mar-13 £000s
1,637	Rental Income from investment property	1,920
(489)	Direct operating expenses arising from investment property	(442)
1,148	**Net gain**	**1,478**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

31-Mar-12 £000s		31-Mar-13 £000s
27,663	**Balance at start of the year**	27,560
	Additions:	
0	Subsequent expenditure	13
(103)	Net gains/losses from Investment Property fair value adjustments	(5,093)
	Transfers:	
0	To/from Property, Plant and Equipment	162
27,560	**Balance at end of the year**	**22,642**

8.13 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets the Council holds are all purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The total amounts held for each category of useful lives are:

31-Mar-12 £000s	Software and Licences	31-Mar-13 £000s
0	1 Year	0
239	3 Years	127
45	4 Years	33
802	5 Years	923
6	7 Years	0
257	10 Years	213
1,349		**1,296**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £303,000 charged to revenue in 2012/13 was mostly charged to the ICT infrastructure support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

31-Mar-12 £000s	Software and Licences	31-Mar-13 £000s
	Balance at start of year:	
3,300	Gross carrying amounts	3,665
(1,988)	Accumulated amortisation	(2,316)
1,312	Net carrying amount at start of year	1,349
	Additions:	
450	Purchases	252
(85)	Disposals Gross Carrying Amount	0
74	Disposals amortisation	0
		0
(402)	Amortisation for the period	(305)
1,349	**Net carrying amount at end of year**	**1,296**
	Comprising:	
3,665	Gross carrying amounts	3,917
(2,316)	Accumulated amortisation	(2,621)
1,349		**1,296**

8.14 Commitments under Capital Contracts

As at 31st March 2012 the Council had entered into contracts for the construction or enhancement of property, plant and equipment in 2012/13. These commitments were :-

Council Approved Capital Commitments	Total Scheme Value £000's	13/14 £000's
South West Bicester Sports Village	1,500	1187
Bicester Town Centre Redevelopment	10,000	2,750
	11,500	3,937

8.15 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2012/13 which did not result in the creation of a tangible asset owned by the Council. This expenditure has been written off to revenue in 2012/13.

31-Mar-12 £000s		31-Mar-13 £000s
	Type of Charge	
756	Disabled Facilities Grant	763
613	Housing Homelessness	302
32	Community Improvement Schemes	90
261	Local Council Social Housing Grant	151
43	Other Discretionary Grants	90
172	Eco Town, Bicester	50
1,877		**1,445**

8.16 Treasury Investments

31-Mar-12 £000s		31-Mar-13 £000s
	Long Term Investments	
5,041	Fixed Term Loans and Receivables	0
5,041		**0**
	Short Term Investments	
36,623	Fixed Term Loans and Receivables	41,526
11,742	Fair Value through I&E Investments	11,840
48,365		**53,366**
53,406		**53,366**

Analysis of Investments

Fixed-term loans and receivables

These investments are fixed term and fixed interest rate cash deposits with Banks and Building Societies. The carrying value includes the principal sum plus accrued interest.

Fair value through Income and Expenditure Investments

These short term investments are Certificates of Deposit managed by Investec. These are valued at bid price and all income, including gains and losses, is taken to the Comprehensive Income & Expenditure Account. Forward deals which have not been settled at the Balance Sheet date are also included at fair value.

Investment gains and losses

31-Mar-12 £000s		31-Mar-13 Loans and Receivables £000s	31-Mar-13 Fair value through I&E £000s	31-Mar-13 Total £000s
(998)	Interest and Investment Income	(917)	(3)	(920)
(998)		**(917)**	**(3)**	**(920)**
0	Gains on forward deals	0	0	0
(1,385)	Impairment of Iceland investments	0	0	0
(1,385)		**0**	**0**	**0**
(2,383)	**Net gain**	**(917)**	**(3)**	**(920)**

8.17 Financial Instruments

8.17.1 Carrying Values

Financial assets comprise long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. Financial liabilities are creditors excluding statutory obligations that arise from contracts.

For each category, the financial instruments disclosed in the Balance Sheet are carried at the following values:

Long Term 31-Mar-12 £000s	Short Term 31-Mar-12 £000s		Long Term 31-Mar-13 £000s	Short Term 31-Mar-13 £000s
5,041	36,623	Fixed Term Loans & Receivables	0	41,526
0	11,742	Fair Value through I&E Investments	0	11,840
0	13,608	Cash & Cash Equivalents	0	11,049
70	3,734	Financial Assets carried at contract amount (Trade Debtors)	83	4,248
5,111	**65,707**	**Total Financial Assets**	**83**	**68,663**
0	(496)	Bank Overdraft	0	(1,891)
0	(3,670)	Creditors	0	(6,879)
0	**(4,166)**	**Total Financial Liabilities**	**0**	**(8,770)**

8.17.2 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has long-term fixed term loans where the carrying value and fair value differ.

Carrying Value 31-Mar-12 £000s	Fair Value 31-Mar-12 £000s		Carrying Value 31-Mar-13 £000s	Fair Value 31-Mar-13 £000s
0	13,608	Cash Equivalents	0	11,049
5,041	5,012	Long Term Investments	0	0
	43,353	Short Term Investments	0	53,366
70	3,734	Trade Debtors	83	4,248
5,111	**65,707**	**Total**	**83**	**68,663**

As at 31st March 2013 the council held no long term fixed term investments. The investment held at 31st March 2012 (as shown in the table above) is now re-categorised as short term.

8.17.3 Income, Expense, Gains & Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost 31-Mar-13 £000s	**Loans & Receivables 31-Mar-13 £000s**	**Assets at fair value through I&E 31-Mar-13 £000s**	**Total 31-Mar-13 £000s**
Interest expense	0	0	0	**0**
Impairment losses	0	0	0	**0**
Total expense in the Surplus or deficit on the Provision of Service	0	0	0	0
Interest income	0	(917)	(3)	(920)
Total income in the Surplus or deficit on the Provision of Service	**0**	**(917)**	**(3)**	**(920)**
Net (gain) / loss for the year	**0**	**(917)**	**(3)**	**(920)**

Comparative figures for 2011/12 are:

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost 31-Mar-12 £000s	Loans & Receivables 31-Mar-12 £000s	Assets at fair value through I&E 31-Mar-12 £000s	Total 31-Mar-12 £000s
Interest expense	0	0	0	**0**
Impairment losses	0	(1,385)	0	(1,385)
Total expense in the Surplus or deficit on the Provision of Service	**0**	**(1,385)**	**0**	**(1,385)**
Interest income	0	(958)	(40)	**(998)**
Total income in the Surplus or deficit on the Provision of Service	**0**	**(958)**	**(40)**	**(998)**
Net (gain) / loss for the year	**0**	**(2,343)**	**(40)**	**(2,383)**

8.17.4 Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses with its financial regulations;

- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures as to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The 2013/14 annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2013 and is available on the Council website. The strategy divides its investments into two categories:

In-house funds: The Council has in-house managed funds which are mainly cash-flow derived and there is a core balance available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

External fund managers: A proportion of the Council's funds are externally managed on a discretionary basis by Investec. The Council has used external fund managers since 1997. These fund managers and amounts held are currently under review as we look to rebalance funds as expenditure in our capital programme continues.

The Council's external fund managers will comply with the Annual Investment Strategy. The agreement between the Council and Investec additionally stipulate guidelines and duration and other limits in order to contain and control risk.

These Treasury Management policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Councils Treasury Management function and the rates quoted in this valuation are supported and obtained by the Council's treasury management advisors Sector.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after the initial criteria are applied. The full Investment Strategy was approved by Council and can be found on the Council's website.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2013 that this was likely to crystallise

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Deposits with banks and financial institutions (excluding Iceland Banks)	Credit Rating	Principal Amount 31-Mar-13 £000s	Historical experience of default (adjusted to reflect market conditions)	Estimated maximum exposure to default 31-Mar-13
Prime Rate MMF	AAA	6,000	0%	0
RBS MMF	AAA	2,980	0%	0
Halton Borough Council	AAA	5,000	0%	0
European Bank for Recon 12/13	AAA	259	0%	0
Rabonbank	AA	605	0.03%	0
Rabobank T/D	AA	141	0.03%	0
Nordea Group	AA-	1,101	0.03%	0
Nordea Group	AA-	300	0.03%	0
Svenska Handelsbanken	AA-	500	0.03%	0
Svenska Handelsbanken	AA-	700	0.03%	0
Nordea Group	AA-	300	0.03%	0
HSBC	AA-	100	0.03%	0
Bk of Nova Scotia	AA-	1,315	0.03%	0
Nationwide BS	A+	2,000	0.08%	2
Nationwide BS	A+	3,000	0.08%	2
Nationwide BS	A+	3,500	0.08%	3
ING Bank	A+	1,701	0.08%	1
Deutsche Bank	A+	1,701	0.08%	1
Nationwide BS	A+	1,101	0.08%	1
Nationwide	A+	300	0.08%	0
Nat West Liquidity Select	A	2,000	0.08%	2
Lloyds	A	2,000	0.08%	2
Nat West	A	3,000	0.08%	2
Bank of Scotland	A	5,000	0.08%	4
Lloyds	A	1,500	0.08%	1
Bank of Scotland	A	2,500	0.08%	2
Ulster Bank	A	5,000	0.08%	4
Nat West	A	3,000	0.08%	2
Lloyds	A	4,000	0.08%	3
Barclays	A	1,700	0.08%	1
Call Deposit Account	A	15	0.08%	0
Sub total : Deposits with banks and building societies		62,319		36
Trade Debtors		157	5.00%	8
Total		**62,476**		**44**

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council generally allows 30 days credit for its debtors, such that £157k of the £10,673k invoices debtors balance before the bad debt provision, is past its due date for payment. The past due amount can be analysed by age as follows:

31-Mar-12 £000s		31-Mar-13 £000s
102	Less than three months	34
28	Three to twelve months	48
74	More than one year	75
204		**157**

Creditors are paid according to terms; there are no defaults or exposures to be considered. The Council initiates a legal charge on property where, for instance, works in default invoices are raised but the debtor cannot afford to pay immediately. The total collateral at 31 March 2013 was £16,099 (2011/12 £7,927.)

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Following the Icelandic Supreme Court's decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.2%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim. The investment remaining in the Council's balance sheet at 31March 2013 is £1.47m.

Glitnir	**Claim Ref**	**Total Claim Value**	**Claim Value in Escrow at 31/3/2013**	**Claim Value in Escrow at 31/3/2013**
				£1 : 188.97 ISK
		ISK	**ISK**	**£**
Investment 1	1819	430,659,559	85,605,300	453,010
Investment 2	1870	436,659,157	86,797,889	459,321
Investment 3	1888	527,451,012	104,845,280	554,825
		1,394,769,728	277,248,469	1,467,156

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 7. There was foreign exchange gain recognised of £97,158 at the balance sheet date.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

31-Mar-12 £000s	Investments (Excluding Glitnir, Iceland)	31-Mar-13 £000s
47,052	Less than one year	51,899
5,041	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
52,093		**51,899**

Refinancing and Maturity Risk

The Council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure of replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no long term financial liabilities. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

As at 31st March 2013, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements within these accounts.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

8.18 Short Term Debtors

31-Mar-12 £000s		31-Mar-13 £000s
9,793	Central government bodies	5,422
1,900	Other local authorities	2,079
25	NHS bodies	74
	Other entities and individuals:	
966	Council Tax	588
663	Housing Benefit Overpayments	653
978	Other	1,457
14,325	**Total**	**10,274**

8.19 Cash & Cash Equivalents

31-Mar-12 £000s		31-Mar-13 £000s
(496)	Bank Overdraft	(1,891)
13,608	Short-term deposits	11,049
13,112	**Total Cash and Cash Equivalents**	**9,158**

8.20 Short Term Creditors

31-Mar-12 £000s		31-Mar-13 £000s
(444)	Central government bodies	(441)
(579)	Other local authorities	(412)
	Other entities and individuals	
(858)	Non-Domestic Rates	(480)
(1,320)	Council Tax	(749)
(4,566)	Other	(7,616)
(7,767)	**Total**	**(9,699)**

8.21 Provisions

Balance at 31-Mar-12 £000s		Transfers Out 31-Mar-13 £000s	Unused Amounts Reversed in 31-Mar-13 £000s	Transfers In 31-Mar-13 £000s	Balance at 31-Mar-13 £000s
	Under 1 year				
(221)	Restructure Provision	233	0	(109)	(97)
(40)	Engineering Services Provision	0	0	0	(40)
(1)	Health Walks Training Fund	0	0	0	(1)
(93)	Joint Working Provision	0	0	0	(93)
0	Incremental Pay Provision 12/13	0	0	(167)	(167)
(355)		**323**	**0**	**(276)**	**(398)**
	Over 1 year				
(3)	Health Walks Training Fund	0	0	0	(3)
(98)	Landlord Rent Guarantee Provision	34	0	(42)	(106)
(405)	Restructure Provision	88	0	(9)	(326)
(18)	Landlord Rent Ex-Charter Provision	0	0	0	(18)
(2,000)	Flood Prevention Provision	2,000	0	0	0
(16)	Banbury Bowls Club Reserve	0	0	(7)	(23)
(23)	58 Bridge Street - Repair & Renewals	0	0	(10)	(33)
(104)	Housings Home Improvement Agency	1	0	(22)	(125)
0	Bicester Pool	0	0	(60)	(60)
(2,667)		**2,123**	**0**	**(150)**	**(694)**
(3,022)	**Total Provisions**	**2,446**	**0**	**(426)**	**(1,092)**

Usable and Unusable Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Different reserves held by the Council are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that can not be applied to fund expenditure or reduce local taxation).

8.22 Usable Reserves

The Council has a number of usable reserves in the balance sheet, those that can be applied to fund future expenditure or reduce local taxation. The purpose of each useable reserve is detailed in the table below or cross referenced to supporting notes.

31-Mar-12 £000s		Movement in Year £000s	31-Mar-13 £000s	Purpose of Reserve
(38,954)	Capital Receipts Reserve	8,562	(30,392)	Proceeds of fixed asset sales available to meet future investment.
(10,223)	Earmarked Reserves	(638)	(10,861)	Various individual needs.
(3,687)	General Fund	(3)	(3,690)	Resources available to meet future running costs.
(567)	Capital Contributions & Grants Unapplied	520	(47)	This is the balance of capital grants that have not been used to fund capital expenditure.
(53,431)		**8,441**	**(44,990)**	

8.23 Unusable Reserves

The Council has a number of unusable reserves in the balance sheet, those that can not be applied to fund future expenditure or reduce local taxation they are required to be held for statutory reasons and are needed to comply with proper accounting practice

The unusable reserves held by the Council are detailed in the table below. The purpose of each useable reserve is cross referenced to the supporting notes for each unusable reserve.

31-Mar-12 £000s		31-Mar-13 £000s
(20,976)	Revaluation Reserve	(43,260)
(100,137)	Capital Adjustment Account	(98,690)
(31)	Deferred Capital Receipts Reserve	(20)
53,772	Pensions Reserve	53,348
(141)	Collection Fund Adjustment Account	(201)
223	Accumulated Absences Account	204
(67,290)	**Total Unusable Reserves**	**(88,619)**

8.23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or;
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007 the date that the reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31-Mar-12 £000s		31-Mar-13 £000s
(16,857)	**Balance at 1 April**	**(20,976)**
(6,688)	Upward revaluation of assets	(27,199)
1,735	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,849
(4,953)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(23,350)**
834	Difference between fair value depreciation and historical cost depreciation	1,066
834	Amount written off to Capital Adjustment Account	**1,066**
(20,976)	**Balance at 31 March**	**(43,260)**

8.23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8.5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The movements on the Capital Adjustment Account for the year are:

31-Mar-12 £000s		31-Mar-13 £000s
(102,820)	**Balance at 1 April**	**(100,137)**
0		
(102,820)		**(100,137)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,032	Charges for depreciation and impairment of non-current assets	4,363
2,169	Revaluation gains / losses on Property, Plant and Equipment	2,458
402	Amortisation of intangible assets	305
1,877	Revenue expenditure funded from capital under statute	1,445
26	Amounts of non current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21
8,506		**8,592**
(834)	Adjusting amounts written out of the Revaluation Reserve	(1,066)
7,672	Net written out amount of the cost of non current assets consumed in the year	**7,526**
	Capital financing applied in the year :	
(3,938)	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,616)
(547)	Use of grants to finance Revenue Expenditure Financed from Capital Under Statute	(544)
(331)	Use of Earmarked Reserves	(447)
0	Contributions for Donated Assets	(565)
(145)	Capital Grants Unapplied written out	0
(131)	Adjustments involvement Financial Instruments Adjustment Account	0
(5,092)		**(11,172)**
103	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,093
(100,137)	**Balance at 31 March**	**(98,690)**

8.23.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

31-Mar-12 £000s		31-Mar-13 £000s
(131)	**Balance at 1 April**	0
131	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
131	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
0	**Balance at 31 March**	0

8.23.4 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been sat aside by the time the benefits come to be paid.

31-Mar-12 £000s		31-Mar-13 £000s
35,470	**Balance at 1 April**	**53,772**
17,937	Actuarial gains or losses on pensions assets and liabilities	(1,752)
3,057	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,150
(2,692)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,822)
53,772	**Balance at 31 March**	**53,348**

8.23.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31-Mar-12 £000s		31-Mar-13 £000s
(36)	**Balance at 1 April**	(31)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	11
(31)	**Balance at 31 March**	**(20)**

8.23.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31-Mar-12 £000s		31-Mar-13 £000s
(120)	**Balance at 1 April**	**(141)**
(21)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(60)
(141)	**Balance at 31 March**	**(201)**

8.23.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31-Mar-12 £000s			31-Mar-13 £000s
252	**Balance at 1 April**		**223**
(252)	Settlement or cancellation of accrual made at the end of the preceding year	(223)	
223	Amounts accrued at the end of the current year	204	
(29)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(19)
223	**Balance at 31 March**		**204**

8.24 Cash Flow Statement – Operating Activities

31-Mar-12 £000s		31-Mar-13 £000s
(4,067)	**Net Surplus on the Provision of Service**	**(12,214)**
	Adjust net surplus on the provision of services for non-cash movements	
4,032	Depreciation	4,363
2,169	Impairment and downward valuations	2,315
402	Amortisation	305
0	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	3
666	Increase/Decrease in Creditors	(1,551)
1,257	Increase/Decrease in Interest Debtors	(209)
(2,113)	Increase/Decrease in Sundry Debtors	2,124
(70)	Increase/Decrease in Inventories	(20)
365	Pension Liability	1,328
(980)	Contributions to/from Provisions	(1,930)
103	Movement in Investment Property Values	4,931
26	Carrying amount of non current assets sold	21
0	Other Non-Cash Movements	0
5,857		**11,680**
	Adjust for items included in the net surplus on the provision of services that are investing or financing activities	
(547)	Capital Grants credited to the surplus on the provision of services	(30)
968	Revenue Grants credited to the surplus on the provision of services	155
(824)	Other Capital Receipts	249
0	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,052)
(403)		**(678)**
1,387	**Net Cash Flows from Operating Activities**	**(1,212)**

The cash flows from operating activities include the following:

31-Mar-12 £000s		31-Mar-13 £000s
3,467	Interest received	808
3,467		**808**

8.25 Cash Flow Statement – Investing Activities

31-Mar-12 £000s		31-Mar-13 £000s
(3,160)	Purchase of property, plant and equipment, investment property and intangible assets	(6,251)
0	Other payments for Investing Activities	(416)
2,893	Movement in short-term and long-term investments	0
6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11
5,384	Other receipts from investing activities	1,581
5,123	**Net cash flows from investing activities**	**(5,075)**

8.26 Cash Flow Statement – Financing Activities

31-Mar-12 £000s		31-Mar-13 £000s
(1,110)	Council Tax and NNDR	2,332
(1,110)	**Net cash flows from financing activities**	**2,332**

8.27 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- the Accumulated Absences accrual is excluded as it will not be matched;
- the balances unspent on revenue grants and contributions without conditions received in year are excluded.

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2012/13	Community & Environment	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,211)	(7,871)	(11,180)	**(28,262)**
Interest and investment income	0	(2)	(3,464)	**(3,466)**
Income from Council Tax	0	0	0	**0**
Government grants and contributions	(108)	(573)	(44,799)	**(45,480)**
Total income	**(9,319)**	**(8,446)**	**(59,443)**	**(77,208)**
Employee expenses	6,249	4,663	4,735	**15,647**
Other service expenses	6,875	6,071	5,927	**18,873**
Support Service recharges	2,653	3,131	1,871	**7,655**
Depreciation, amortisation and impairr	5,425	6,067	709	**12,201**
Interest Payments	0	0	5,183	**5,183**
Precepts & Levies	0	0	47,939	**47,939**
Payments to Housing Capital Receipts	0	0	0	**0**
Gain or Loss on Disposal of Fixed Asse	(32)	0	0	**(32)**
Total operating expenses	**21,170**	**19,932**	**66,364**	**107,466**
Net expenditure	**11,851**	**11,486**	**6,921**	**30,258**

* Car & Lorry Parks have been removed from Trading and categorised as Highways per the SERCOP 2012/13 Code of Practice. The Net surplus for 2012/13 is (£1,267) and 2011/12 (£1,482).

Directorate Income and Expenditure 2011/12	Community & Environment	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,707)	(7,989)	(8,031)	**(25,727)**
Interest and investment income	0	(3)	(40)	**(43)**
Income from Council Tax	0	0	(4,143)	**(4,143)**
Government grants and contributions	(110)	(572)	(43,438)	**(44,120)**
Total income	**(9,817)**	**(8,564)**	**(55,652)**	**(74,033)**
Employee expenses	6,236	4,670	5,268	**16,174**
Other service expenses	7,288	5,822	411	**13,521**
Support Service recharges	2,874	3,463	2,017	**8,354**
Depreciation, amortisation and impairment	3,025	2,950	731	**6,706**
Interest Payments	0	0	5,285	**5,285**
Precepts & Levies	0	0	46,339	**46,339**
Payments to Housing Capital Receipts Pool	0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	26	**26**
Total operating expenses	**19,423**	**16,905**	**60,077**	**96,405**
Net expenditure	**9,606**	**8,341**	**4,425**	**22,372**

8.27.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

31-Mar-12 £000s RESTATED*		31-Mar-13 £000s
22,372	Net Expenditure in the Directorate Analysis	30,258
(1,406)	Amounts in the CIES not reported to management in the Analysis	(879)
1,383	Amounts included in the Analysis not included in CIES	(5,682)
22,349	**Cost of Services in CIE**	**23,697**

8.27.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

31-Mar-13	Directorate Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(28,262)	(3)	14,030	15,732	**1,497**	(21,312)	**(19,815)**
Interest and investment income	(3,466)	0	3,464	0	**(2)**	(4,501)	**(4,503)**
Income from council tax	0	0	0	0	**0**	(59)	**(59)**
Government grants and contributions	(45,480)	(899)	16	0	**(46,363)**	(7,949)	**(54,312)**
Total income	**(77,208)**	**(902)**	**17,510**	**15,732**	**(44,868)**	**(33,821)**	**(78,689)**
Employee expenses	15,647	(20)	(2,835)	0	**12,792**	2,841	**15,633**
Other service expenses	18,873	30	(3,671)	(8,513)	**6,719**	2,811	**9,530**
Support Service recharges	7,655	0	(1,810)	(7,219)	**(1,374)**	1,810	**436**
Depreciation, amortisation and impairment	12,201	13	(5,604)	0	**6,610**	5,604	**12,214**
Interest Payments	5,183	0	(5,183)	0	**0**	5,183	**5,183**
Precepts & Levies	47,939	0	(4,089)	0	**43,850**	4,089	**47,939**
Gain or Loss on Disposal of Fixed Assets	(32)	0	0	0	**(32)**	0	**(32)**
Total operating expenses	**107,466**	**23**	**(23,192)**	**(15,732)**	**68,565**	**22,338**	**90,903**
Surplus or deficit on the provision of services	**30,258**	**(879)**	**(5,682)**	**0**	**23,697**	**(11,483)**	**12,214**

31-Mar-12 RESTATED	Directorate Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(25,727)	(26)	8,592	17,482	321	(20,595)	(20,274)
Interest and investment income	(43)	0	40	0	(3)	(6,379)	(6,382)
Income from council tax	(4,143)	0	0	0	(4,143)	(21)	(4,164)
Government grants and contributions	(44,120)	(627)	0	0	(44,747)	(8,790)	(53,537)
Total income	**(74,033)**	**(653)**	**8,632**	**17,482**	**(48,572)**	**(35,785)**	**(84,357)**
Employee expenses	16,174	(756)	(269)	0	15,149	2,843	17,992
Other service expenses	13,521	2	3,707	(10,263)	6,967	2,487	9,454
Support Service recharges	8,354	0	(798)	(7,219)	337	1,962	2,299
Depreciation, amortisation and impairment	6,706	1	(465)	0	6,242	1,016	7,258
Interest Payments	5,285	0	(5,353)	0	(68)	5,183	5,115
Precepts & Levies	46,339	0	(4,013)	0	42,326	4,013	46,339
Gain or Loss on Disposal of Fixed Assets	26	0	(58)	0	(32)	0	(32)
Total operating expenses	**96,405**	**(753)**	**(7,249)**	**(17,482)**	**70,921**	**17,504**	**88,425**
Surplus or deficit on the provision of services	**22,372**	**(1,406)**	**1,383**	**0**	**22,349**	**(18,281)**	**4,068**

8.28 Trading Operations

Net (Surplus) / Deficit 31-Mar-12 £000s		Expenditure 31-Mar-13 £000s	Income 31-Mar-13 £000s	Net (Surplus) / Deficit 31-Mar-13 £000s
(1,241)	**General Corporate Properties** These are all investment properties, which have been acquired as a result of developments in previous years, often having strategic importance, and which are now managed with a view to maximising medium term investment income.	5,006	(1,764)	3,242
127	**Industrial Units** The Council owns 14 small industrial units which it leases to business occupiers as investment properties, with a view to maximising its medium-term investment.	203	(111)	92
10	**Markets** The council has the right to hold street markets in Banbury and Bicester. It employs contractors to run those markets with the aim of contributing to the retail offered in those towns whilst generating an income for the Council.	57	(45)	12
(1,104)		**5,266**	**(1,920)**	**3,347**

Car & Lorry Parks have been removed from Trading and are now categorised as Highways Service costs per the SERCOP 2012/13 Code of Practice.

8.29 Agency Income and Expenditure

The Council undertakes Section 38 Highways Act supervision on behalf of Oxfordshire County Council. The majority of the cost for this work is funded by payments from private developers. The Council also provides grounds maintenance services to other Councils as follows:

31-Mar-12 £000s		31-Mar-13 £000s
349	Bicester Town Council	345
141	Oxfordshire County Council	138
75	Kidlington Parish Council	70
1	Other Parish Councils	0
566	**Total**	**554**

8.30 Members' Allowances

The total of Members' Allowances paid in the year amounted to £316,416. This compares to £316,666 in 2011/12. A detailed list of allowances paid to each member is available for examination on the Council's website under "Councillors - Members Allowances"

The Local Councils (Members Allowances) Regulations 2003 requires local Councils to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2012/13 were as follows:

31-Mar-12 £000		31-Mar-13 £000
	Members' Allowances	
0	Chairman's allowance	2
207	Basic Allowance	207
90	Special Responsibility Allowance	91
19	Travel & subsistence/Others	16
316	Total	**316**

8.31 Officers' Remuneration

The Council is required, under regulation 7(2) of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000 excluding pension contributions. This includes senior staff all accounted for in the table on the following page.

Number of employees 31-Mar-12	Remuneration Band	Number of employees 31-Mar-13
3	£50,000 to £54,999	1
0	£55,000 to £59,999	1
3	£60,000 to £64,999	1
0	£65,000 to £69,999	2
1	£70,000 to £74,999	0
2	£75,000 to £79,999	0
1	£80,000 to £84,999	1
2	£85,000 to £89,999	1
0	£90,000 to £94,999	0
0	£95,000 to £99,999	0
0	£100,000 to £104,999	0
0	£105,000 to £109,999	0
1	£110,000 to £114,999	0
1	£115,000 to £119,999	0
0	£120,000 to £124,999	0
0	£125,000 to £129,999	0
0	£130,000 to £134,999	0
0	£135,000 to £139,999	1
14		**8**

2012/13

Key	Post title	Year	Basic Salary	Fees - Monitoring Officer, S151, Returning Officer	Expenses Allowances	Compensation for loss of office	Total Remuneration excluding Pension Contribution	Pension Contributions	Total Remuneration including Pension conts
			£s	£s	£s	£s		£s	£s
1	Chief Executive	2012/13	125,000	9,126	1,653	0	**135,778**	18,640	**154,418**
1	Director of Community & Environment	2012/13	87,812	0	1,659	0	**89,471**	12,127	**101,599**
2	Director of Resources	2012/13	86,176	2,500	1,229	0	**89,905**	11,232	**101,137**
2	Director of Development	2012/13	86,992	0	2,640	0	**89,632**	11,072	**100,704**
1	Head of Community Services	2012/13	66,451	0	2,131	0	**68,582**	9,105	**77,687**
1	Head of Environmental Services	2012/13	65,854	0	2,831	0	**68,685**	9,105	**77,790**
1	Head of Finance and Procurement	2012/13	75,224	5,446	1,613	0	**82,284**	0	**82,284**
2	Head of Law and Governance	2012/13	74,740	8,162	1,541	0	**84,443**	10,389	**94,832**
2	Head of Transformation	2012/13	62,572	0	0	0	**62,572**	7,973	**70,545**
2	Head of Public Protection and Development Management	2012/13	73,316	0	754	0	**74,070**	9,344	**83,414**
2	Head of Strategic Planning and the Economy	2012/13	72,064	0	334	0	**72,398**	0	**72,398**
2	Head of Regeneration and Housing	2012/13	69,360	0	882	0	**70,242**	0	**70,242**

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)

2 Joint Management Team Post employed by SNC. (CDC bear 50% of costs from 1st October 2011)

The financial year 2011/12 saw a significant restructure of the council resulting in a shared management team arrangement with South Northamptonshire Council with some shared services.

	Post title	Year	Basic Salary	Fees - Monitoring Officer, S151, Returning Officer	Compensation for loss of office / redundancy	Any other emoluments (OT, Hol Pymt, Election Fees, Tel Allow)	Car Allowance & Car Allowance Buy Out *	Total Remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension conts
			£s	£s	£s	£s	£s	£s	£s	£s
1	**Chief Executive**	2011/12	109,543	1,412	0	0	0	**110,955**	15,423	**126,378**
1	**Director of Community & Environment**	2011/12	84,699	0	0	236	3,060	**87,995**	12,199	**100,194**
3	**Director of Development**	2011/12	43,250	0	0	0	330	**43,580**	5,536	**49,116**
3	**Director of Resources**	2011/12	43,250	0	0	0	132	**43,382**	5,536	**48,918**
2	**Strategic Director Planning, Housing and Economy**	2011/12	69,801	0	41,625	236	5,041	**116,703**	9,702	**126,405**
1	**Head of Finance and Procurement**	2011/12	68,500	2,652	0	10,694	0	**81,846**	0	**81,846**
1	**Head of Environmental Services**	2011/12	62,500	0	0	0	0	**62,500**	8,688	**71,188**
1	**Head of Transformation**	2011/12	53,549	0	0	1,045	0	**54,594**	0	**54,594**
1	**Head of Community Services**	2011/12	62,500	0	0	236	0	**62,736**	8,688	**71,424**
2	**Head of Regeneration and Estates**	2011/12	44,910	0	31,581	1,969	0	**78,460**	6,242	**84,702**
2	**Head of Planning Policy & Economic Development**	2011/12	35,000	0	50,121	3,770	0	**88,891**	4,865	**93,756**
2	**Head of Housing Services**	2011/12	29,570	0	49,576	226	0	**79,372**	4,110	**83,482**
2	**Head of Recreation and Health**	2011/12	32,083	0	20,897	226	0	**53,206**	4,460	**57,666**
3	**Head of Law and Governance**	2011/12	37,750	0	0	0	810	**38,560**	4,832	**43,392**
3	**Head of Public Protection and Development Management**	2011/12	36,500	0	0	0	32	**36,532**	4,672	**41,204**
3	**Head of Strategic Planning and the Economy**	2011/12	36,000	0	0	0	0	**36,000**	0	**36,000**

Key

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)
2 Post deleted as part of Joint Management Team Implementation with SNC
3 Joint Management Team posts employed by SNC . (CDC bear 50% of costs)

8.32 Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below

CDC entirely responsible for these costs

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	0	0	2	4	2	4	£10,592	£14,250
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£200,000	0	0	0	0	0	0	£0	£0
Total	**0**	**0**	**2**	**4**	**2**	**4**	**£10,592**	**£14,250**

CDC/SNC 60/ 40 responsible for these costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	5	0	3	0	8	0	£267,181	£0
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	3	0	3	0	£432,555	£0
Total	**5**	**0**	**6**	**0**	**11**	**0**	**£699,736**	**£0**

* Cherwell District Council has responsibility for 60% of the costs detailed in the table above.

CDC/SNC 50/ 50 responsible for these costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	0	3	0	5	0	8	£0	£130,597
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	0	0	0	0	£0	£0
Total	**0**	**3**	**0**	**5**	**0**	**8**	**£0**	**£130,597**

Cherwell District Council has responsibility for 50% of the cost detailed in the table above.

8.33 External Audit Costs

In 2012/13 the council incurred the following fees relating to external audit and inspection:

31-Mar-12 £000s		31-Mar-13 £000s
114	Fees payable to The External Auditor with regard to external audit services carried out by the appointed auditor	62.5
35	Fees payable to The External Auditor for the certification of grant claims and returns	13.5
	Fees payable to The External Auditor for questions answered regarding HS2.	2
149		78

8.34 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

31-Mar-12 £000		31-Mar-13 £000s
	Credited to Taxation and Non Specific Grant Income	
126	Section 106 Developer Contributions	83
2,038	Non-ringfenced Government Grants	148
6,596	Non Domestic Rates	7,629
155	Council Tax Freeze Grant	156
8,915	**Total**	**8,016**
	Credited to Services	
946	Administration Subsidy Grant	880
0	Area Based Grant	76
	Eco Town	50
113	Bicester Vision	0
130	Developer Contributions	83
0	Department for Climate Change	93
375	Disabled Facilities Grant	494
76	Home Improvement Agency Grant	76
220	Homelessness Grant	110
219	NDR Cost of Collection Grant	218
496	New Homes Bonus	646
0	New Burdens	127
142	Other Grants & Contributions	166
30	Oxfordshire Business Enterprise	30
200	Oxfordshire Waste Partnership	220
50	Performance Reward Grant	10
0	Portas Grant	100
2,997	**Total**	**3,379**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31-Mar-12 £000s		31-Mar-13 £000s
	Capital Grants Received in Advance	
10,855	Eco Town Grant	10,936
2,952	Section 106 Developer Contributions - Capital	3,101
0	DECC Green Deal	95
0	DCLG Modelling	8
0	Other Contributions	22
13,807		**14,162**
	Revenue Grants Received in Advance	
1,356	Section 106 Developer Contributions - Revenue	1,365
1,356		**1,365**
15,163	**Total**	**15,527**

8.35 Related Parties

The purpose of this disclosure is to provide assurance to readers of these statements that any material transaction between the organisation and those in a position to influence its decisions are properly disclosed.

It is a requirement that disclosure is made in the Statement of Accounts of any material transactions between related parties. The reason for this is to draw attention to the possibility that the reported position and results may have been affected by the existence of the related parties and by any material transactions with them.

Transactions for the financial year ended 31st March 2013 with Central Government, Oxfordshire County Council, Thames Valley Police, Council and town and parish councils, are disclosed in the Comprehensive Income and Expenditure Account, Cash Flow Statement, and the Collection Fund.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates providing significant funding in the form of grants and also prescribing the terms of many of the transactions that the Council has with other parties (eg Council Tax bills and Housing Benefits) The details of the grants received from government departments have been set out within these statements.

Members and Chief Officers are also regarded as related parties. A register of members' interests and a register of staff interest are used to record and monitor related party transactions. In addition declaration forms were sent to all councillors and relevant officers at the end of the financial year and contain details of all related transactions. All significant transactions are listed in the following table.

	2011/12	**2012/13**
Cllr Reynolds	Councillor's wife works part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2011/12 management fee payments to Parkwood for Spiceball Sports Centre totalled £157,574 also £17,853.37 was made for Hall Hire.	Councillor's wife works part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2012/13 management fee payments to Parkwood for Spiceball Sports Centre totalled £189,223 also £18,952.52 was made for Hall Hire.
Cllr Sibley	Cherwell District Council nominee on the Charter Community Housing Board and Sanctuary Housing Board with whom the Council had various financial transactions totalling £51,462.	Cherwell District Council nominee on the Charter Community Housing Board and Sanctuary Housing Board with whom the Council had various financial transactions totalling £463,018.

Entities controlled or significantly influenced by the Council

During 2012/13 £94,113 (2011/12 £64,697) was paid to Bicester Citizens Advice for service level funding. The payment although not material to the Council, is considered material to the operations of Bicester Citizens Advice and has therefore been disclosed within this note.

During the financial year, both Cllr. Rose Stratford and Cllr. Lawrie Stratford had some involvement with Bicester Citizens Advice.

During 2012/13 £46,531.50 (2011/12 £38,900) was paid to Mill Arts Centre as grant funding Additionally a loan of £35,000 was advanced to the centre during the year 2012/13. These transactions, although not material to the Council, are considered material to the operations of Mill Art Centre and have therefore been disclosed within this note.

During the financial year Cllr Turner and Cllr Cullip had involvements with the Mill Arts Centre

8.36 Capital Expenditure & Financing

31-Mar-12 £000s		31-Mar-13 £000s
	Capital Investment	
2,281	Operational Assets (Note 8.10)	8,919
220	Non-operational Assets (Note 8.10)	543
0	Investment Properties (Note 8.12)	13
438	Intangible Assets (Note 8.13)	252
1,877	Revenue Expenditure Funded from Capital under Statute (REFCUS) (Note 8.15)	1,445
4,816		**11,172**
	Sources of finance (Note 8.23.2)	
3,938	Capital Receipts	9,616
547	Government Grants and Other Contributions	1,109
331	Funding from Earmarked reserve through Revenue	447
0	Direct Revenue Financing	0
4,816		**11,172**

8.37 Leases

8.37.1 Council as a Lessee

Finance Leases

The Council had no finance leases as at 31st March 2013.

Operating Leases

The Council has acquired its offices in Bicester and several small items of equipment by entering into operating leases, with typical lives of 3 and 3 ½ years respectively.

The future minimum lease payments due under non-cancellable leases in future years are:

31st March 2012 £000s		31st March 2013 £000s
47	Not later than one year	18
40	Later than one year and not later than five years	22
87		**40**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £18,133 (2011/12 £46,557).

8.37.2 Council as a Lessor

Finance Leases

The Council had no finance leases as at 31st March 2013.

Operating Leases

The Council has leased out property at the Castle Quay Shopping Centre, Banbury to Scottish Widows on an operating lease with a remaining term of 237 years. The Council also has 35 smaller operating leases with a total value of £6.626m.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31st March 2012 £000s		31st March 2013 £000s
537	Not later than one year	659
1,950	Later than one year and not later than five years	2,752
27,470	Later than five years	26,944
29,957		**30,355**

8.38 Contingent Liabilities

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £134,117 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

8.39 Contingent Assets

8.39.1 VAT Share

When the Council sold their housing stock an agreement was put in place so that they would be party to any input VAT refund received by the third party responsible for repairs and maintenance work. These amounts relate to the refurbishment of the properties sold to bring them up to the required standard. It is expected that a flow of economic benefit will occur in the future, however the value and timing is less certain.

9. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

This account shows the income received from Council Tax payers and Business Rate payers. It also shows how the income is distributed between Cherwell District Council, Oxfordshire County Council and Thames Valley Police Council.

31-Mar-12 £000s		31-Mar-13 £000s
	Income	
(70,484)	Council Tax	(71,542)
	Transfers from General Fund	
(7,317)	Council Tax Benefits	(7,138)
(62,244)	Business Ratepayers	(64,325)
(140,045)		**(143,005)**
	Expenditure	
	Precepts and Demands	
58,477	Oxfordshire County Council	58,800
7,767	Thames Valley Police and Crime Commissioner	7,810
10,229	Cherwell District Council	10,340
	Business rate	
62,024	Payment to National Pool	64,107
220	Cost of Collection allowance	218
	Bad and doubtful debts	
190	Write offs	205
5	Provision	42
975	Contribution towards previous years' Collection Fund surplus	1,042
139,887		**142,564**
(158)	**Surplus for the year**	(441)
(898)	**Balance at start of year**	(1,056)
(1,056)	**Balance at end of year**	**(1,497)**

10. NOTES TO THE COLLECTION FUND

10.1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight valuation bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge is £1,520.29 (2011/12 £1,519.23) multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Valuation Band	Chargeable dwellings after effect of discounts	Ratio	Band D Equivalents Dwellings
A	4,168.25	6/9	2,778.8
B	12,753.50	7/9	9,919.4
C	14,539.50	8/9	12,924.0
D	9,090.00	9/9	9,090.0
E	6,577.50	11/9	8,039.2
F	2,997.25	13/9	4,329.4
G	2,136.50	15/9	3,560.8
H	186.75	18/9	373.5
Band A entitled to Disabled Relief Reduction	7.75	5/9	4.3
			51,019.4
Ministry of Defence Properties			245.0
			51,264.4

10.2 Business Rates

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2012/13 there are two multipliers, the small business non-domestic rating multiplier of 45.0p and the non-domestic rating multiplier of 45.8p. The total non-domestic rates due, less certain reliefs and deductions are paid into a National Non-Domestic Pool which is administered by the Government. The Government redistributes the sums paid into the pool back to Local Councils' Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31st March 2013 was £164.7 million (31st March 2012 £164.2 million).

The gross yield for the year was £74,088,831.

Income from Non-Domestic Ratepayers can be calculated as follows:-

31-Mar-12 £000s		31-Mar-13 £000s
69,740	Gross Yield for 2012-13	74,089
(3,446)	Adjustments for Previous Years	(1,813)
(4050)	Allowances and Other Adjustments	(8,174)
(1)	(Increase)/Decrease in Provision for Non-Collection	4
1	Interest on Overpayments	1
62,244	**Income from Non-Domestic Ratepayers**	**64,325**

10.3 Analysis of Collection Fund Balance

The surplus on the Collection Fund is available for financing the expenditure of Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council and will be distributed in future financial years as follows.

31-Mar-12 £000s		31-Mar-13 £000s
(807)	Oxfordshire County Council	(1,144)
(107)	Thames Valley Police and Crime Commissioner	(152)
(915)	**Disclosed as creditors in the balance sheet**	**(1,296)**
(141)	Cherwell District Council	(201)
(1,056)		**(1,498)**

11. GROUP ACCOUNTS

Under the terms of the Code where the Council has an interest in any other entity, it is required to prepare a Group Income and Expenditure and Group Balance Sheet. The Council holds no interest in any other entity and therefore no group accounts have been produced.

Where either the Council, or its Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Notes to the Core Financial Statements – 8.35 Related Parties.

12. THE PENSION FUND ACCOUNTS

12.0 Background

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through membership of the Local Government Pension Scheme. Cherwell District Council is a member of the Oxfordshire Local Government Pension Scheme and Oxfordshire County Council is the administering Council. The county council is responsible for maintaining, administering and paying out all benefits from the pension fund. The fund is valued by a professional Actuary and Barnett Waddingham is the appointed Actuary to the Fund.
Although these benefits will not actually become payable until after the employees retire, the council is required to disclose the cost of these at the time that the employees earn their future entitlement. The arrangement is a funded defined benefit final salary scheme. This means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The retirement benefits are determined independently of the investments of the scheme and employers have an obligation to make contributions where assets are insufficient to meet employee benefits.

Cherwell District Council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement under Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash contributions payable in the year, so the future cost of retirement benefits is reversed out in the Movement in Reserves Statement so that it does not impact the charge to council tax.

The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement during the year:

	31-Mar-12 £000s	31-Mar-13 £000s
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Cost	1,940	2,428
Past Service Costs / (gain)	0	0
Settlements and curtailments	206	0
Financing and Investment Income & Expenditure		
Interest Costs	5,251	5,183
Expected Return on Scheme Assets	(4,134)	(3,461)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	**3,263**	**4,150**
Other Post Employment Benefit Charged to the CIES		
Actuarial (Gains) and Losses	17,937	(1,752)
Total Post Employment Benefit Charged to the CIES	**21,200**	**2,398**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(3,263)	(4,150)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	**2,898**	**2,822**

12.1 Principal Actuarial Data Sources as at 31 March 2013

The actuary has used the following items of data, which it received from Oxfordshire County Council:

- The results of the funding valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2013;
- Estimated whole fund returns for the period to 31 March 2013 are based on assets used for the purpose of the IAS19 valuation as at 31 March 2012, actual fund returns for the period to 28 February 2013 and then market returns (estimated where necessary) for the period to 31 March 2013;
- Estimated Fund income and expenditure in respect of the Employer for the period to 28 February 2013.
- Details of any new early retirements for the period to 31 March 2013 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

12.1.1 Employer Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries / Pensions £000s	Average Age
Active members	429	10,449	44
Deferred pensioners	650	1,006	43
Pensioners	517	3,383	70

The service cost for the year ending 31 March 2013 is calculated using an estimate of the average total pensionable payroll during the year. From the contribution information provided by the employer, the estimated average total pensionable payroll during the year is £9,403,000. The projected service cost for the year ending 31 March 2014 is calculated from an estimated payroll of £9,403,000.

12.1.2 Early Retirements

The actuary requested data on any early retirements in respect of the Employer from the Administering Council for the year ending 31 March 2013.

It is the actuary's understanding that there were no new early retirements over the year which were not allowed for in the IAS19 assumptions.

12.1.3 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2013 is estimated to be 21%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Cherwell District Council as at 31 March 2013 is as follows:

Employer Asset Share - Bid Value	31-Mar-12 £000s	%	31-Mar-13 £000s	%
Equities	42547	70	50071	70
Gilts	6078	10	7257	10
Other bonds	3647	6	4354	6
Property	3647	6	4354	6
Cash	1823	3	2903	3
Alternative Assets	3039	5	3628	5
Employer Asset Share Total	**60,781**	**100%**	**72,567**	**100%**

The Actuary have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2013 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 5%.

12.1.4 Unfunded Benefits

In the year to 31st March 2013 £240,000 (2011/12 £229,000) of unfunded pensions were paid.

12.2 Actuarial Methods and Assumptions

12.2.1 Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2013, the Actuary have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31 March 2012.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2013 without completing a full valuation. However, the Actuary are satisfied that the approach of rolling forward the previous valuation data to 31 March 2013 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by, and in respect of, the Employer and its employees.

12.2.2 Valuation Method

As required under IAS19 the Actuary has used the projected unit method of valuation to calculate the service cost.

12.2.3 Demographic / Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement. The assumed life expectations from age 65 are:

Life expectancy from age 65		**31-Mar-12**	**31-Mar-13**
Retiring today			
	Males	19	19.2
	Females	23.1	23.2
Retiring in 20 years			
	Males	21	21.1
	Females	25	25.1

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Active members will retire one year later than they are first able to do so without reduction.

12.2.4 Financial Assumptions

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

	31-Mar-11		**31-Mar-12**		**31-Mar-13**	
Assumptions as at	**% pa**	**Real %**	**% pa**	**Real %**	**% pa**	**Real %**
RPI Increases	3.5%	-	3.3%	-	3.3%	-
CPI Increases	2.7%	-0.8%	2.5%	-0.8%	2.5%	-0.8%
Salary Increases	5.0%	1.5%	4.7%	1.4%	4.7%	1.4%
Pension Increases	2.7%	-0.8%	2.5%	-0.8%	2.5%	-0.8%
Discount Rate	5.5%	1.9%	4.6%	1.3%	4.3%	1.0%

These assumptions are set with reference to market conditions at 31 March 2013.

The Actuary's estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a shorter duration than average.

This measure has historically overestimated future increases in the RPI and so the Actuary have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

12.2.5 Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore the Actuary are not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 5.7% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

12.2.6 Past Service Costs

Past service costs can arise when the Employer awards additional discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain.

The Actuary are not aware of any additional benefits which were granted over the year ended 31 March 2013.

12.2.7 Curtailments

The Actuary have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

The Actuary calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, the Actuary understand no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

12.3 Results and Disclosures

The Actuary estimate that the net liability as at 31 March 2013 is a liability of £53,338,000.
In addition:

- 12.3.1 sets out the balance sheet position ended 31 March 2013
- 12.3.2 sets out the profit and loss account costs for the year ended 31 March 2013
- 12.3.3 details a reconciliation of assets and liabilities during the year
- 12.3.4 shows the sensitivity analysis to a change in discount rate
- 12.3.5 shows the balance sheets for the previous 4 years

- 12.3.6 shows the Statement of Recognised Income and Expense
- 12.3.7contains estimates of the projected profit and loss account costs for the year ending 31 March 2014.

12.3.1 Balance Sheet Disclosure

Net Pension Assets as at	31-Mar-11 £000s	31-Mar-12 £000s	31-Mar-13 £000s
Present value of funded obligation	93,310	111,214	122,457
Fair value of Scheme assets (bid value)	(60,743)	(60,781)	(72,567)
Net Liability	**32,567**	**50,433**	**49,890**
Present value of unfunded obligation	2,903	3,339	3,458
Unrecognised past service cost	0	0	0
Net Liability in Balance Sheet	**35,470**	**53,772**	**53,348**

12.3.2 Profit & Loss Account Costs

	31-Mar-12 £000s	31-Mar-13 £000s
Current service cost	1,940	2,428
Interest on obligation	5,251	5,183
Expected return on Scheme assets	(4,134)	(3,461)
Past service cost	0	0
Loss on curtailments and settlements	206	0
Total	**3,263**	**4,150**
Actual return on Scheme assets	**722**	**12,756**

The international Accounting Standards Board have published a final version of the revised IAS19 standard which will apply for company accounting periods beginning on or after 1 January 2013. In summary, the main changes that affect the Profit and Loss Charge are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit & Loss charge eg “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

Administration expenses are now accounted for within the Profit and Loss charge; previously we made a deduction to the actual and expected returns on assets.

The changes set our above are effective for company periods beginning on or after 1 January 2013 so do not affect the disclosures for 2012/13. However, the following disclosure shows the impact of the revised IAS19 standard had it been applied in 2012/13.

The amounts recognised in the profit and loss statement (if the revised IAS19 standard was adopted) are:	31-Mar-13 £000s
Service cost	2,428
Net Interest on the defined liability (asset)	2,409
Administration expenses	39
Total	**4,876**
Actual Return on Scheme assets	12,795

12.3.3 Asset and Benefit Obligation Reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-12 £000s	31-Mar-13 £000s
Opening defined benefit obligation	96,213	114,553
Service cost	1,940	2,428
Interest cost	5,251	5,183
Actuarial loss / (gain)	14,525	7,544
Losses on curtailments	206	0
Liabilities extinguished on settlements	0	0
Estimated benefits paid (net of transfers in)	(4,029)	(4,185)
Past service cost	0	0
Contributions by Scheme participants	676	632
Unfunded pension payments	(229)	(240)
Closing defined benefit obligation	**114,553**	**125,915**

Reconciliation of opening and closing balances of the fair value of Scheme assets

Reconciliation of opening & closing balances of the fair value of Scheme assets	31-Mar-12 £000s	31-Mar-13 £000s
Opening fair value of Scheme assets	60,743	60,781
Expected return on Scheme assets	4,134	3,461
Actuarial gains / (losses)	(3,412)	9,296
Contributions by employer including unfunded benefits	2,898	2,822
Contributions by Scheme participants	676	632
Estimated benefits paid including unfunded benefits	(4,258)	(4,425)
Receipt of bulk transfer value	0	0
Fair value of Scheme assets at end of period	**60,781**	**72,567**

Reconciliation of opening and closing deficit

Reconciliation of opening & closing surplus	31-Mar-12 £000s	31-Mar-13 £000s
Deficit at beginning of year	(35,470)	(53,772)
Current service cost	(1,940)	(2,428)
Employer contributions	2,669	2,582
Unfunded pension payments	229	240
Past service cost	0	0
Other finance income	(1,117)	(1,722)
Settlements and curtailments	(206)	0
Actuarial gains / (losses)	(17,937)	1,752
Deficit at end of year	**(53,772)**	**(53,348)**

12.3.4 Sensitivity Analysis

Sensitivity Analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	123,376	125,915	128,535
Projected service cost	2,607	2,702	2,802
Adjustment to mortality age rating assumption	+ 1 year	none	- 1 year
Present value of defined benefit obligation	121,099	125,915	130,795
Projected service cost	2,576	2,702	2,831

12.3.5 Amounts for the Current and Previous Periods

Amounts for the current and previous four periods	31-Mar-09 £000s	31-Mar-10 £000s	31-Mar-11 £000s	31-Mar-12 £000s	31-Mar-13 £000s
Defined benefit obligation	(89,950)	(126,399)	(96,213)	(114,553)	(125,915)
Scheme assets	44,220	58,215	60,743	60,781	72,567
Deficit	(45,730)	(68,184)	(35,470)	(53,772)	(53,348)
Experience adjustment on Scheme liabilities	(250)	351	8,315	(355)	(133)
Percentage of liabilities	-0.3%	0.3%	8.6%	-0.3%	-0.1%
Experience adjustment on Scheme assets	(18,080)	13,336	(822)	(3,412)	9,296
Percentage of assets	-40.9%	22.9%	-1.4%	-5.6%	12.8%
Cumulative actuarial gain / (loss)	(12,910)	(33,141)	(8,724)	(26,661)	(24,909)

12.3.6 Statement of Recognised Income & Expenses

Statement of total income and expenses	31-Mar-12 £000s	31-Mar-13 £000s
Actual return less expected return on pension scheme assets	(3,412)	9,296
Experience gain	(355)	(133)
Changes in assumptions underlying the present value of the scheme liabilities	(14,170)	(7,411)
Actuarial gains / (losses) on pension scheme	**(17,937)**	**1,752**
Increase / (decrease) in irrecoverable surplus	0	0
Actuarial gains / (losses) recognised	**(17,937)**	**1,752**

12.3.7 Projected Pension Expense for the year to 31st March 2014

Projections for the year to 31-Mar-14	31-Mar-14 £000s
Service cost	2,702
Interest cost	2,239
Return on assets	43
Total	**4,984**
Employer contributions	2,402

The information included for all of the pension disclosures is provided by Barnett Waddingham, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Services Oxfordshire County Council, Unipart House, Garsington Road, Oxford OX4 2GQ.

13. ACCOUNTING POLICIES

13. Accounting Policies

13.1 General principles

The Statement of Accounts summarises the Council's transactions for the financial year 2012/13 and its position at the year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These are supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

There are no amendments to accounting policies for 2012/13.

13.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments is accounted for respectively as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

13.3 Acquisitions and Discontinued Operations

There have been no acquisitions or transfer of operations in CDC. Additional policy detail required where a Council has acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

13.4 Cash and Cash Equivalents

Cash and Cash Equivalents comprises of cash on hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

They must be repayable without penalty on notice of not more than 24 hours. Investments must mature in three months or less from the date of acquisition.

13.5 Exceptional Items

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

The Council has no Exceptional Items in 2012/13.

13.6 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

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

No material errors have been made in prior year accounts that need to be amended in the 2012/13 accounts.

13.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement but as CDC does not hold any debt this requirement is not applicable.

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

13.8 Employee Benefits

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

13.8.2 Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

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

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

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

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

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

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; and

- **Contributions** paid to the Oxfordshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

13.8.4 Discretionary Benefits

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

13.9 Events after the Balance Sheet Date

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

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

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

13.10 Financial Instruments

13.10.1 Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

13.10.2 Financial Assets
Financial assets are classified into two types:

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

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market**.** They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

The Council has no available for sale financial assets.

13.11 Foreign Currency Translation

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

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

13.12 Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local Council's as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts
CDC does not currently have any Business Improvement Districts.

Community Infrastructure Levy
The Council does not currently charge a Community Infrastructure Levy (CIL).

13.13 Intangible Assets

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

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

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

13.14 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and are not required to prepare group accounts.

13.15 Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

13.17 Jointly Controlled Operations and Jointly Controlled Assets

The Council has carried out a comprehensive review and concludes that there are no jointly controlled operations of a material financial nature.

13.18 Leases

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

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

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

13.18.1 The Council as Lessee

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

13.18.2 The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

13.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

The exceptions to the absorption costing principle are:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

13.20 Property, Plant & Equipment

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

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

13.20.2 Measurement
Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £10,000 deminimis threshold.

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

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

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

- land and buildings – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- infrastructure, community assets and assets under construction – depreciated historical cost; and

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. At Cherwell District Council this applies to our sports centres.

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

At Cherwell District Council, all property valuations are carried out by John Slack MRICS, Head of Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

Depreciation is calculated on the following basis:

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

Newly acquired assets and capital enhancements are depreciated from the year after acquisition, unless the variation in change is considered material. In this respect only, the Council does not fully comply with the requirements of IAS16 Property, Plant & Equipment but this is not a material consideration for the Council.

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

• Infrastructure	10, 20 or 40 years
• Buildings	10, 20 or 50 years
• Vehicles	5, 6 or 7 years
• Computer Equipment / systems	3, 5 or 10 years
• Other	3, 5 or 7 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All assets with a gross value over £50,000 are considered for componentisation. If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

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

A materiality level of £50,000 for property assets has been determined based on previous analysis. Using a £50,000 limit means that £75.4m of the Council's £75.6m property portfolio have been assessed for componentisation, 77% of these assets have been componentised (figures correct as at 31st March 2013).

The following five components have been identified:

1) Land;
2) Structure of Building;
3) Roof;
4) Electrical & Mechanical (inc. Plant & Equipment); and
5) Other / specialist.

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

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

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

13.20.5 Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

13.21 Heritage Assets

13.21.1 Tangible and Intangible Heritage Assets

The Council’s Heritage Assets are held in the Council’s Museum. The Museum has collections of heritage assets which are held in support of the primary objective of the Council’s Museum (increasing the knowledge, understanding and appreciation of the Council’s history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

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

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

13.21.2 Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The trustees of the Council's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

13.22 Private Finance Initiative (PFI) and Similar Contracts

The Council has no PFI or similar contracts.

13.23 Provisions, Contingent Liabilities and Contingent Assets

13.23.1Provisions

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

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

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

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

13.23.2 Provision for Back Pay Arising from Unequal Pay Claims
The Council has no claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

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

13.24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

13.25 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

13.26 VAT

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

14. GLOSSARY OF TERMS USED IN FINANCIAL STATEMENTS

Accrual
An amount included in the final accounts to cover income or spending during an accounting period for goods or work done, but for which we have not received or made a payment by the end of that accounting period.

Accumulated Absences Account
The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Actuarial Gains and Losses
Actuarial gains and losses, in respect of the pension fund, arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains/losses) or the actuarial assumptions have changed. For example an unexpectedly high pay award may have been made during the year or employee turnover may have been greater than expected. Scheme assets will need to be revalued on the basis of the revised information.

Actuarial valuation
This is when an actuary checks what the pension scheme's assets are worth and compares them with what the scheme owes. They then work out how much the contributions from employers must be so that there will be enough money in the scheme when people get their pensions.

Audit
An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the external auditor. For 2013/14 Ernst Young have been Appointed as the Council's external auditor.

Balances
The revenue reserves of the Council, made up of the accumulated surplus of income over expenditure. Balances from part of our reserves.

Balance Sheet
The Balance Sheet is a snapshot of the accounts as at the 31st March. It includes the assets and liabilities of all activities of the Council.

Business Rates or National Non-Domestic Rates (NNDR)
The rates paid by businesses. The money is collected by the Council and paid into a central pool administered by the Government. The total collected is then redistributed to Council's on the basis of population.

Capital Adjustment Account
Reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Charge
A charge to reflect the cost of fixed assets used to provide services.

Capital Expenditure
Spending to buy significant fixed assets that we will use or benefit from for more than a year (for example, land and buildings).

Capital Receipts
Proceeds from the sale of assets which have a long term value.

Cash and Cash Equivalents
Cash and Cash Equivalents comprises of cash on hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The leading professional accountancy body for the public services. They set and monitor professional standards and provide education and training in accountancy and financial management. This is the main professional organisation for accountants working in the public service.

Code of Practice on Local Council Accounting
A guidance publication which interprets the requirements of International Financial Reporting Standards in the United Kingdom.

Collection Fund
This account reflects the statutory requirement to maintain a separate Fund, which shows the transactions of the billing Council in relation to National Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the Council's General Fund. The Collection Fund is consolidated with the other accounts of the Council.

Collection Fund Adjustment Account
The practical effect of the changes in the 2009 SORP is that the Collection Fund balance in the Balance Sheet will disappear. The surplus/deficit will be shared out in its entirety between the Council and its preceptors. The preceptors' share will be carried as creditors/debtors, but the Council's share will be credited to it's I+E Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the I+E Account for council tax to the statutory amount in the Statement of Movement - i.e., the demand on the Collection Fund for the year, plus the statutory amount payable/receivable for the year in relation to past deficits/surpluses.

Communities & Local Government (CLG)
CLG works to create a thriving, sustainable, vibrant community that improves everyone's life.

Community Assets
Assets that we plan to hold onto indefinitely, that have no set useful life and that may have restrictions on being sold.

Commuted Sums
Commuted Sums are negotiated contributions from developers, usually under section 106 Planning Agreements. The amenities provided by this funding are generally on-site play facilities; off-site sports facilities or 15 years open space grounds maintenance.

Comprehensive Income and Expenditure Account
The Income and Expenditure Account reports the net cost of the functions for which the Council is responsible. It shows how the net cost has been financed from general government grants and income from taxpayers.

Contingency
The money we set aside to pay for unexpected spending.

Contingent liabilities
An amount we could owe when we send the accounts for approval. We will include the liability in the balance sheet if we can estimate it reasonably accurately. Otherwise we would add the liability as a note to the accounts.

Contingent Assets and Liabilities
A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core
Split under 2 headings:

Corporate Management: concerns those activities and costs that provide the “infrastructure” that allows services to be provided. Charges to this heading are strictly regulated. If costs can be identified within individual service areas, they cannot be charged here.

Democratic Representation and Management: includes all aspects of Members’ activities including corporate, programme and service policy making, governance and representation of local interests.

Council Tax
The local tax that pays for a proportion of council services. It replaced the poll tax in April 1993.

Creditors
Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

Current Assets
An asset which will be used up during the next accounting period e.g. stocks.

Current Liabilities
Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost
Current service (pension) cost is an estimate of the true economic cost of employing staff in a financial year, earning years of service that will eventually entitle them to a lump sum and a pension. It measures the full liability estimated to have been generated in the year (at today’s prices) and is unaffected by whether the fund is in surplus or deficit.

Debtors
Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or of obsolescence through technological or other changes.

Earmarked Reserves
Reserves set aside for specific purposes.

Exceptional Items
Items of income and expense that are deemed to be exceptional based on their significance (material), their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Expected Return on Assets
Under the provisions of IAS19 the expected return on assets is a measure of the return (income from dividends, interest etc.) on the assets held by the scheme for the year. It is not intended to reflect the actual returns, but a longer term measure, based on assets at the start of the year, any movements during the year and an expected return factor.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an "arms length" transaction less, where applicable, any grants receivable towards the purchase or use of that asset.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instrument Adjustment Account
This technical guidance requires certain Financial Instruments such as loans and deposits to be valued on the Balance Sheet in accordance with the financial reporting requirements rather than being shown at their "nominal" value. This results in an impact on Service Cost and Interest in the Income and Expenditure Account. However, Accounting Regulations have been put in place to allow the impact of these new accounting requirements to be adjusted in the Statement of Movement in the General Fund Balance. This adjustment has resulted in creation of a Financial Instrument Adjustment Account on the Balance Sheet.

Fixed Asset
A tangible asset that yields benefit to the Council and the services it provides for a period of time in excess of one year.

General Fund
This account shows the expenditure and income relating to all the services provided by the Council and how the net cost of these services has been financed by the local taxpayers and government grants.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local or national, or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions.

Heritage Assets
A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. These are accounted for in accordance with FRS 30 Heritage Assets as adopted in the Code of Practice on Local Council Accounting, as there is no IFRS that deals with heritage assets. Heritage assets can be both tangible and intangible in nature.

Housing Benefit
Payments to people on low incomes to assist them in meeting their housing costs.

Impairment
Impairment occurs where the recoverable amount of the fixed asset is lower than the carrying value amount.

Infrastructure Assets
Fixed assets that are immovable or not transferable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are the various Town Centre Improvement Schemes.

Intangible Assets
Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. software licences.

Interest Cost
Under the provisions of IAS 19 interest cost is the amount needed to unwind the discount applied in calculating the current service cost. Provisions made at present value in previous years will need to be uplifted by a year's discount in order to keep pace with current values.

IFRS
International financial reporting standards (IFRS) represent a set of generally accepted accounting principles (GAAP) used by companies to prepare financial statements.

International Financial Reporting Standards that have been developed by the International Accounting Standards Board (IASB). These are a set of accounting rules followed by, or being adopted by, more than 100 countries. All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005.

International Accounting Standard 19 (Retirement Benefits)
The objectives of IAS19 are to ensure that financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. The financial statement should also reflect the assets and liabilities arising from an employer's retirement benefit obligations and any related funding at fair values. In addition the operating costs of providing retirement benefits should be recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities should be recognised in the accounting periods in which they arise.

Inventories
These comprise the following:-
a) goods or other assets purchased for resale;
b) consumable stores;
c) products and services in intermediate stages of completion; and
d) finished goods for resale.

Investments
A long-term investment is an investment for longer than twelve months. Investments which do not meet these criteria are classed as short term investments and shown in current assets.

Investment Properties
Interest in land and / or buildings which is held for its investment potential, rather than its use in the provision of the Council's services to the public, any rental income being negotiated at arms length.

Leasing
A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.

a) Finance leases, which transfer all the risks and rewards of owning a fixed asset to the person taking out the lease. These assets are included in the fixed assets in the balance sheet.

b) Operating leases, where the leasing company owns the asset and the yearly rental is charged direct to the income and expenditure account.

Local Government Pension Scheme (LGPS)
Cherwell District Council participates in the LGPS, which is a defined benefit pension scheme based on final pensionable salary. The fund is administered by Oxfordshire County Council.

Minimum Revenue Provision
The minimum amount of the Council's external debt that must be repaid in accordance with Government regulations, by the revenue account in the year of account.

Movement in Reserves Statement
This statement brings together all the recognised gains and losses of the Council during the period and identifies those that have and have not been recognised in the Income and Expenditure account. The statement separates the movements between revenue and capital reserves

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non Distributed Costs
These tend to be costs which, because of their nature, cannot be allocated or apportioned to services. They may include the costs associated with the unused shares of IT facilities or other long-term unused but unrealisable assets. They may also include the costs of past service, settlement and curtailment pension contributions.

Non-Operational Assets
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements and which are being held pending sale or redevelopment.

Operational Assets
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs
Under the provisions of IAS19 past service costs are non-periodic costs arising from decisions in the current year but whose financial effect is derived from years of service earned in earlier years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non distributed costs.

Pensions Reserve
The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer and authorised for issue.

Precepts
The amount that the Council is required to collect from council tax payers to fund another, non tax collecting Council's expenditure. Precepts are issued by County, Parish and Town Councils and the local police Council.

Prior Year Adjustments
Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. They do not include adjustments of accounting estimates made in prior years.

Provision
An amount we set aside to provide for something we will need to pay, but where we do not know the exact amount and the date on which it will arise.

Related Party Transactions
The Council is required to disclose any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Reserves
Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the General Fund.

Revaluation Reserve
Records the unrealised net gains from revaluations made after 1st April 2007.

Revenue Expenditure
The Council’s day-to-day expenditure on items which include wages, stationery and interest charges.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Capital expenditure which does not result in, or remain matched with, tangible assets. Examples of this include expenditure on items such as private sector housing grants or expenses included in the promotion of a Private Act of Parliament.

Revenue Support Grant
The main non-service specific grant from Central Government to fund the Council’s expenditure.

Service Reporting Code of Practice (SeRCOP)
This Code of Practice provides guidance on the reporting structure, to enable consistency and comparison of costs with other councils. The highest structure level shown in the statements are mandatory.

Useable Capital Receipts
The amount of capital receipts which the Council is able to use to finance capital spending.

Useful Life
The period over which the Council will derive benefits from the use of a fixed asset.

Usable Reserves
Reserves that can be applied to fund expenditure or to reduce council tax.

Unusable Reserves
Reserves that are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and do not represent usable resources for the Council.

Accounts Audit and Risk Committee

Internal Audit Annual Report 2012/13

26 June 2013

Report of Chief Internal Auditor

PURPOSE OF REPORT

This report sets out the Internal Audit annual report.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to consider and note the contents of this report.

Executive Summary

The Chief Internal Auditor submits the Internal Audit Annual Report 2012/13 for the Committee's consideration. The report presents the Chief Internal Auditor's annual opinion on the adequacy and effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations.

Implications

Financial:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Risk Management:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Internal Audit Annual Report 2012/13
Background Papers	
n/a	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	07720 427215 Chris.Dickens@uk.pwc.com

www.pwc.co.uk

Internal Audit Annual Report 2012/13

FINAL

Cherwell District Council

June 2013

pwc

Contents

Distribution List

Joint Management Team

Members of the Accounts, Audit and Risk Committee

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with Cherwell District Council.

1. Executive summary

Background

The relevant internal audit standards, CIPFA's Audit Code of Practice, require that the Head of Internal Audit provides a written report to the Accounts, Audit and Risk Committee, timed to inform the organisation's Annual Governance Statement. As such, the purpose of this report is to present our view on the adequacy and effectiveness of Cherwell District Council system of governance, risk management and control.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Accounts, Audit and Risk Committee should look to gain assurance. This report does not supplant the Council's responsibility for forming its own view on governance, risk management and control.

This report covers the period to the year ended 31 March 2013.

Scope

Our findings are based on the results of the internal audit work performed as set out in the Internal Audit Risk Assessment and Plan 2012/13 approved by the Accounts, Audit and Risk Committee. All changes have been outlined in our update reports taken to this committee during the year.

Our opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to CIPFA's Audit Code of Practice. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our work was designed to comply with CIPFA's Audit Code of Practice which must be followed for internal audit in local government.

Opinion

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Plan and Individual Assignment Reports.

We have completed the program of internal audit work for the year ended 31 March 2013 with the exception of the following reviews, where currently in our quality assurance review process:

- Estates and Asset Management.

We have completed the program of internal audit work for the year ended 31st March 2013 with the exception of the review highlighted above. Our work identified 30 low, 18 moderate and 2 high rated findings. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.

The key factors that contributed to our opinion are summarised as follows:

Creditors

One high risk issue was noted relating to non purchase orders. Our audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.

Planning Applications

One high risk issue was noted, all major cases should be authorised at Committee Level. Our audit identified that one of four major cases tested was not authorised by the Planning Committee. Instead this was delegated to the Development Control team. This case was subsequently addressed and a new permission, authorised correctly by Committee was issued. However, we feel that the case not originally being approved at Committee was a high risk finding to the Council.

A summary of our key findings is described in further detail in section 2 of this report.

On pages 4 and 5 we show the direction of travel for both individual review areas and for the number of audit recommendations in each risk category (critical, high, medium and low). This indicates that the overall control environment at the Council is comparable with the prior year.

For many of the areas reviewed in the year, the rating this year was either better or the same as last year. The number of internal audit findings and recommendations has increased slightly with a total number of 50 findings in 2012/13 compared to 42 in the previous year. Much of this increase is in the low risk category and therefore should not raise any significant concerns when comparing to prior year.

Other work ongoing

As part of the plan we will also deliver (have delivered) the following support:

- Finance year end support; and
- Regeneration and Housing - Eco Town: (review of year end return).

Since our draft annual report presented in March, we have received no confirmation of any review being required in relation to Eco-Town. We have since been requested by the Council in May to review and sign off Pioneer Places Grant (DECC) by June 2013 extended deadline. We plan to utilise these days to deliver this return.

Reviews deferred into 2013/14 Plan

The Council are currently updating their HR strategy and with the timing of the payroll implementation the following have been deferred into the 2013/14 plan where value form internal audit review will be delivered.

- Human Resources – Workforce Planning and Performance Management
- Payroll Implementation

Since our draft annual reported presented in March we have deferred the following 2012/13 IT reviews into the 2013/14 plan.

- IT Transition Arrangements
- IT Policies and Procedures

These reviews have been deferred to reflect the Council's desire to combine the IT transition arrangements with our Post Implementation Review with our project assurance team in a joint scope review. The policies and procedures review has been deferred due to change to a shared service centre, this will delivered in 2013/14 plan.

Reviews not undertaken 2012/13

The value enhancement review around the Council's leisure contract has been considered to be no longer required, given a review was undertaken within the 2011/12 plan, with no significant findings. The Council's contract assurance arrangements will be considered within 2013/14 plan within wider programme management support.

- Contract Assurance – Leisure Contract

We have used two of three days as additional support in relation to 2012/13 year end support in relation to valuations. This is reflected in the updated table on page 6 of this report.

Acknowledgement

We would like to take this opportunity to thank all audit sponsors, the Joint Management Team and members of the Accounts, Audit and Risk Committee for their co-operation and assistance provided during the year.

2. Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year is recorded in the table below:

Description	Detail
Overview We completed 22 internal audit reviews. This resulted in the identification of 0 critical, 2 high, 18 medium and 30 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.	Our audit plan was scoped to address the Council's key risks and strategic objectives. We mapped each review to these areas in our 2012/13 Internal Audit plan. We have completed our internal audit plan in line with the set timescales and have supported the Council with their year-end close down procedures and in their assessment of fraud. We have delivered training on fraud awareness, audit committee effectiveness and risk management in year. Our plan included 7 "value enhancement" reviews and we have mobilised specialists in the areas of ICT and finance in year.
Internal Control Issues During the course of our work we identified two high risk weaknesses that the Council should consider when preparing the Annual Governance Statement.	**Creditors** The Council has issued a number of reminders on the importance of raising purchase orders in year. However, our audit showed that no purchase order was in place for 77% of invoices received in year. This issue was also raised in 2010/11 and 2011/12. **Planning Applications** All major cases should be authorised at Committee Level. Our audit identified that one of four major cases tested was not authorised by the Planning Committee. Instead this was delegated to the Development Control team. This case was subsequently addressed and a new permission, authorised correctly by Committee was issued.
Other weaknesses Other weaknesses were identified within the organisation's governance, risk management and internal control, which relate to Disaster Recovery and business continuity.	**Disaster Recovery and business continuity** The Council has and BCM policy in place, has business impact analysis tools in place, however we raised a number of medium risk recommendations around development of these and aligning BCM arrangements in its emergency planning and wider awareness training across the Council. These are discrete areas and core policies and processes in place that on balance we feel these need not be reflected as a significant weakness in internal controls.
Good practice We also identified a number of areas where few weaknesses were identified and / or areas of good practice.	The following reviews were classified as low risk for 2012/13: • Debtors; • Payroll;

	• Budgetary Control; • Housing benefits; • Cashiers; and • Performance Management.

3. Internal Audit work conducted

Introduction

Our internal audit work was conducted in accordance with our letter of engagement, CIPFA's Audit Code of Practice and the Internal Audit Risk Assessment and Plan 2012/13.

The table below sets out the results of our internal audit value protection work and implications for next year's plan. The direction of travel is also analysed so management can consider whether they should take action to reverse a trend or address stagnation.

We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

Results of individual assignments

Audit unit	Report status	Report classification Direction of travel	Number of findings			
			Critical	High	Medium	Low
General Ledger	Final	Medium ⇔	0	0	2	3
Debtors	Final	Low ⇔	0	0	0	3
Creditors	Final	Medium ⇔	0	1	0	4
Payroll	Final	Low ⇔	0	0	0	1
Budgetary Control	Final	Low ⇔	0	0	2	**0**
Collection Fund	Final	Medium ⇔	0	0	4	2
Housing Benefits	Final	Low ⇔	0	0	0	2
Risk Management	Final	Medium ⇩	0	0	2	4
Cash collection	Final	Low N/A	0	0	0	2
Environmental Services – Dry Recycling	Draft	Medium N/A	0	0	2	4
Strategic Planning and the Environment – Planning Applications	Final	High N/A	0	1	3	3

Performance Management	Final	Low N/A	0	0	1	2
Disaster Recovery and Business Continuity	Final	High N/a	0	0	4	**0**
		Total	**0**	**2**	**18**	**30**

In addition we have carried out the following value enhancement reviews where no risk rating has been provided. No significant issues were noted in these reports for consideration in the Annual Governance Statement:

- Finance Business Case – Critical Friend: (Final);
- Contract Assurance - Capita Contract (Specialist): (Final);
- Shared Management – Governance and Efficiency: (Final);
- Signature Audit: (Final);
- Programme Management - Project and Programme Management (Specialist): (Final);
- Estates and Asset Management: (Field work complete, Report in quality assurance process); and
- Regeneration and Housing - Eco Town (Ongoing) – Replaced by Pioneers Places Grant.

Direction of control travel

Finding rating	*Trend between current and prior year*	*Number of findings*		
		2012/13	*2011/12*	*2010/11*
Critical		0	0	0
High		2	1	4
Medium		18	19	46
Low		30	22	48
Total		**50**	**42**	**98**

It should be noted that the mix and focus of our internal audit plans have differed between years and therefore these results may not be directly comparable.

Management should look to concentrate on those areas of stagnant or deteriorating performance (e.g. Budgetary Control, Risk Management and Collection Fund) to ensure that controls in these areas are improved. Actions may include raising awareness, training, increasing compliance checks or improved escalation processes.

Comparison of planned and actual activity

Audit Unit	*Audit Type*	*Budgeted days*	*Actual days*	*Comments*
General Ledger	Value Protection	3	3	
Debtors	Value Protection	3	3	
Creditors	Value Protection	3	3	
Payroll	Value Protection	2.5	2.5	
Budgetary Control	Value Protection	5	5	
Collection Fund	Value Protection	5	5	
Housing Benefits	Value Protection	5	5	
Risk Management	Value Protection	5	5	
IT Transition Arrangements (Specialist)	Specialist	5	-	Deferred to 13/14 (Q1)
IT Policies and Procedures (Specialist)	Specialist	5	-	Deferred to 13/14 (Q2)
Disaster Recovery and Business Continuity (Specialist)	Specialist	5	5	
Payroll implementation	Specialist	5	-	Deferred to 13/14 (Q2)
Cash collection	Value Protection	5	5	
Finance and Procurement – Year End Support (Specialist)	Specialist	5	7	To be delivered in June
Performance – Performance Management	Value Protection	5	5	
Environmental Services – Dry Recycling	Value Protection	5	5	
Strategic Planning and the Environment – Planning Applications	Value Protection	5	5	
Human Resources – Workforce Planning and Performance Management (Specialist)	Specialist	5	-	Deferred to 13/14 (Q2)
Regeneration and Housing - Eco Town	Value Enhancement	5	5	This has been replaced by review of DECC – Pioneer Places Grant
Finance Business Case – Critical Friend	Value Enhancement	5	5	
Contract Assurance - Capita Contract (Specialist)	Value Enhancement	10	10	
Estates and Asset Management	Value Enhancement	10	10	
Shared Management – Governance and Efficiency	Value Enhancement	2.5	2.5	
Signature Audit	Value Enhancement	5	5	
Contract Assurance – Leisure Contract	Value Enhancement	3	-	Two additional days utilised in year end support in relation to

				additional requested valuations support.
Project and Programme Management (Specialist)	Value Enhancement	10	10	
Follow up	-	5	5	-
Audit Management	-	23	23	-
		160	**139**	**Total**

4. Follow up work conducted

Introduction

Within the Internal Audit Risk Assessment and Plan for 2012/13, 5 days were assigned for following up recommendations raised during previous periods in order to assess whether agreed actions had been implemented by management.

Results of follow up work

We have considered the progress made and reported this where relevant in each individual report issued throughout the year. There are no matters that we wish to specifically draw out here. We considered the following areas:

- General Ledger;
- Debtors;
- Creditors;
- Collection Fund;
- Housing Benefits;
- Budgetary Control;
- Payroll; and
- Risk Management.

Summary

We recommend that further work is conducted to ensure all previously agreed recommendations are implemented at the earliest opportunity or where now superseded cleared at the appropriate time. Issues have been re-raised in the current year where relevant.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Accounts, Audit and Risk Committee, subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed Internal Audit Risk Assessment and Plan 2012/13, which provided for 160 internal audit days. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our individual assignment reports.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Accounts, Audit and Risk Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control:

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods:

Our assessment of controls relating to Cherwell District Council is for the year ended 31 March 2013. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section3 of this report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	*Points*
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		*Points*
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual finding ratings

Finding rating	*Assessment rationale*
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences; *or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Cherwell District Council discloses any such information, 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

Annual Report of the Committee 2012/13

226 June 2013

Report of Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is to review and approve the annual report of the Accounts, Audit and Risk committee for 2012/13 and recommend that it be presented to full Council.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

(1) To consider, amend or endorse this report for consideration at the next appropriate full council meeting.

Summary

1.1 The Accounts, Audit and Risk Committee (AARC) is required by the Constitution to make an annual report to the Council.

1.2 The AARC Committee has undertaken detailed reviews of the matters for which it has responsibility, raising numerous questions and seeking assurances of the Council officers and representatives of Internal and External Audit.

1.3 The report highlights the key issues that were considered by the Committee over the last twelve months.

Implications

Financial: There are no financial issues arising from this report.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal: There are no legal issues arising from this report.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Risk Management:	The appropriate risk register entries highlighted by the Committee during the year have been added and will be monitored. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All wards are affected.

Document Information

Appendix No	**Title**
Appendix 1	Annual Report
Background Papers	
All AARC Agendas and Supporting Reports	
Report Author	Karen Curtin, Head of Finance & Procurement
Contact Information	01295 221551 Karen.Curtin@Cherwellandsouthnorthants.gov.uk

Appendix 1

Accounts, Audit and Risk Committee Annual Report 2012-13

1. Purpose of Report

1.1 The Accounts, Audit and Risk Committee is required by the Constitution to make an annual report to the Council. The Committee agreed that as well as being best practice, this would be a useful tool to document and communicate the AARC achievements.

1.2 The Head of Finance and Procurement has prepared the Annual Report to be considered at the next appropriate meeting of Full Council.

2. Role of the Committee

2.1 The Accounts Audit and Risk Committee is a regulatory Committee. The purpose of the committee is to oversee the financial processes of the Council; the Audit Commission recommended that all local authorities establish a committee of this nature.

2.2 The Accounts, Audit and Risk Committee (AARC) operates in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006. The Guidance defines the purpose of an Audit Committee as follows:

"To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process."

2.3 The Council's Accounts, Audit and Risk Committee has an ongoing role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council.

2.4 The terms of reference of the AARC are defined within the Council's Constitution; the relevant extract is below;

- Ensuring that the Council's corporate governance arrangements are adequate and operating effectively in practice
- Considering the Council's Code of Corporate Governance and the Annual Governance Statement before approval by the Executive
- Monitoring the effectiveness of the Council's risk management procedures, the internal control environment and counter fraud and corruption arrangements and report any concerns to the Executive
- Endorse the annual Risk Management Strategy and recommend it to the Executive for adoption
- Approval of the Council's Statement of Account
- Considering any reports of internal or external auditors and agreeing the action to be taken from those reports including any recommendations to the Council
- To consider and make recommendations on the internal audit plan

- To consider a report on the effectiveness of the internal audit system at least annually
- To consider risks associated with significant partnerships entered into by the Council and to receive reports on the management of those risks
- To receive the External Auditor's annual audit letter and make recommendations arising from it
- To produce an annual report to Council on the activities of the committee.

3. Membership

3.2 The Audit Committee comprises of eight elected members representing all political parties:

- Councilor Trevor Stevens (Chairman)
- Councilor Mike Kerford-Brynes (Vice-Chairman)
- Councilor Andrew Beere
- Councilor Colin Clarke
- Councilor Andrew Fulljames
- Councilor Lawrie Stratford
- Councilor Rose Stratford
- Councilor Barry Wood

3.3 Having the right skills, knowledge and experience are key attributes for members of an audit committee to have in order for this key assurance function to be effective.

3.4 Specifically members should have the ability to question, probe and seek clarification about complex issues, and should have experience in some of the core functions of the Committee; financial awareness is essential, but a broad understanding of the financial, risk and control, and governance issues facing local authorities and the Council specifically is more important than having an accounting background or professional qualification.

Other Members

3.5 The Committee was also grateful for the attendance and contribution of the Portfolio Holder of Resources – Councilor Ken Atack.

Officers

3.6 The Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee.

3.7 During the year the following officers attended meetings;

- Martin Henry – 151 Officer
- Karen Curtin – Head of Finance and Procurement
- Nicola Jackson – Corporate Finance Manager
- Denise Taylor – Corporate Finance Accountant
- Claire Taylor - Corporate Performance Manager
- Jeff Brawley – Investigations Manager
- Gavin Lane - Democratic and Elections Officer
- Chris Dickens – Chief Internal Auditor (PwC)

External Audit

3.8 Our External Auditors (initially the Audit Commission and then Ernst Young from November 2012), routinely attend all the Committee meetings making a welcome contribution to governance processes within the Council and the development of committee members.

4. Work Programme

4.1 The Committee reviewed a number of items in the course of the year in order to assure itself of the adequacy of the Council's internal control arrangements.

Key Assurances Gained:

4.2 The Audit Committee can confirm that:

- the system of risk management in the Council is adequate in identifying risks and in allowing the authority to understand the appropriate management of those risks,

- there are no areas of significant duplication or omission in the systems of governance in the authority that have come to the Committee's attention and not been adequately resolved,

Review of Internal Control Systems

4.3 The Committee reviewed a number of items in the course of the year in order to assure itself of the adequacy of the Council's internal control arrangements. These included:

- External Audit Annual Audit Letter 2011-12
- Internal Audit Annual Report for 2011-12
- Internal Audit Reports with High Rating Recommendations and a summary of the results of follow up of work
- Corporate Risk Register
- Treasury Management updates 2012-13 Strategy 2013-14
- Risk Management Quarterly Reviews 2012-13 and Review of Strategy 2013-14
- Fraud Updates
- Internal Audit Compliance Checklist.

External Audit Annual Audit Letter 2011-12

4.4 The Annual Audit Letter 2011-12 from the Audit Commission: gave an unqualified opinion of the Council's 2011-12 financial statements on 28 September 2012; concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and certified completion of the audit.

Internal Audit Annual Report for 2012-13

4.5 This report was directly linked to the core functions of the Committee and one of the Audit Committee's Terms of Reference was to "consider the annual report of the internal audit service and to consider a summary of actual and proposed internal audit activity and the levels of assurance it could give over the Council's corporate governance arrangements."

4.6 The report was received annually from the Internal Audit Manager and a draft was provided to the Audit Committee for information on 27 March 2013. The final version will be presented on 26 June 2013.

4.7 In terms of the Authority's risk management framework, Internal Audit provided a satisfactory assurance rating, stating that our processes are sufficiently formalised and provide information on key risks and issues relating to the individual services and the Authority as a whole. They have raised recommendations to further enhance and embed risk management processes.

Internal Audit and External Audit Work Programmes for 2012-13

4.8 The Audit Committee reviewed the scope and depth of external and internal audit work to ensure that it gives the Council good value for money. The progress against the work plans were monitored at every Audit Committee meeting through the year and no problems were identified.

Financial Statement & Annual Governance Statement Approval

4.9 Comprehensive review of statements - the Committee members met with the Head of Finance & Procurement and finance officers to undertake a comprehensive review of the financial statements and Annual Governance Statement one week prior to adoption at the committee meeting, this resulted in a thorough understanding of the key statements and identification of some small amendments to the accounts.

4.10 Approval of the draft set of accounts – the Committee approved the draft statement of accounts, enabling the External Auditors to start their statutory audit of the Statement of Accounts.

Risk Management

4.11 The committee owns and regularly monitors the risk register as part of its terms of reference and recommends amendments where appropriate. Updates of the risk register are presented at meetings as a standard agenda item.

5. Conclusion

5.1 For the year 2012-13 the Accounts Audit and Risk Committee have provided assurance that the Council's internal control environment and risk management framework are adequate.

Document Information

Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	Karen.Curtin@Cherwellandsouthnorthants.gov.uk

Accounts Audit and Risk Committee

Joint Whistle Blowing Policy

26 June 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

For members of this committee to consider a review of the joint Whistleblowing Policy for Cherwell District Council and South Northamptonshire Council which has resulted in some minor amendments to the policy.

This report is public

Recommendations

For members to consider the updated Joint Whistleblowing Policy contained at Appendix A of this report.

Executive Summary

In June 2012 members received a report outlining a new Joint Whistleblowing policy for both Cherwell District Council and South Northamptonshire. The policy aimed to link the whistleblowing policy to the councils overall strategic objectives.

The policy has now been reviewed and although it remains largely unchanged some minor changes have been made.

Firstly the policy now outlines the Public Interest Disclosure Act (1998) which offers protection to employees who report concerns from unfair treatment.

The Enterprise and Regulatory Reform Act received Royal Assent in April 2013 and introduces a Public Interest test requirement on whistleblowers. The policy outlines how this Act impacts on employees who have concerns to raise.

Implications

Financial:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Risk Management:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Joint Whistle Blowing Policy
Background Papers	
n/a	
Report Author	Jeff Brawley, Investigations Manager
Contact Information	jeff.brawley@cherwell-dc.gov.uk 01295 221978

CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

WHISTLE BLOWING POLICY

1 Introduction

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

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

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

1.4 Whilst there is no statutory requirement for the Council to have a Whistle blowing policy, the Government expects public bodies to have a policy in place and the Whistle blowing policies and procedures in local authorities are assessed regularly as part of their external audit and review. The Council is committed to the highest possible standards of openness, probity and accountability, and so has developed and endorsed this policy. In line with that commitment it expects and encourages employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

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

1.6 This policy applies to all employees, including casual and agency staff. Similar policies apply to Elected Members, suppliers and those contracted to provide services to either Council or on either Council's behalf.

1.7 The Public Interest Disclosure Act 1998 protects Council employees who report concerns from subsequent harassment, victimisation and other unfair treatment. Potential informants should feel reassured that it is illegal for either Council to consider any action against them should their concerns not prove to be verifiable.

1.8 Finally, and importantly, regulators and the courts are increasingly looking at the adequacy of Whistle blowing arrangements to determine whether an offence has been committed by an organization under regulatory or criminal laws, for example banks manipulating the libor rate or cases of corporate manslaughter where Health & Safety procedures have not been followed. The effectiveness of the arrangements is a factor that the courts and regulators consider when determining the level of any fine or penalty.

2 Aims And Scope Of This Policy

2.1 This policy aims to:-

- encourage employees to feel confident in raising serious concerns that they may have about practices and procedures
- provide avenues to raise those concerns and receive feedback on any action taken
- allow employees to take the matter further if they are dissatisfied with the Council's response
- reassure employees that they will be protected from possible reprisals or victimisation if they have made any disclosure in good faith

2.2 Areas covered by the Whistle Blowing Policy include:-

- criminal or other misconduct
- breaches of the Council's Standing Orders or Financial Regulations
- contravention of the Council's accepted standards, policies or procedures
- disclosures relating to miscarriages of justice
- health and safety risks
- damage to the environment
- unauthorised use of public funds
- fraud, bribery and corruption
- sexual, physical and/or verbal abuse of any person or group
- other unethical conduct
- the concealment of any of the above

2.3 Any concerns about any aspect of service provision or the conduct of officers or Elected Members of either Council, or others acting on behalf of either Council, can be reported under the Whistle blowing policy

2.5 Management should be the first to know of any issues that they may need to address. These may be able to be dealt with internally. This means that the costs of investigating any concerns, such as fraud, are reduced as problems can be caught quickly. The time and resources saved mean that a Whistle blowing policy can act as a cost-effective early warning system for the Council.

3 Safeguards Against Harassment Or Victimisation

3.1 Both Councils' recognise that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. However, neither Council will tolerate any form of harassment or victimisation, and will take appropriate action to protect employees who raise a concern in good faith.

3.2 Both Councils have policies on Personal Harassment & Bullying at Work, which are designed to protect employees from all forms of harassment in the workplace.

3.3 Both Councils are committed to good practice and high standards and endeavours to be supportive of its employees.

3.4 In all cases, the provisions of The Public Interest Disclosure Act (PIDA) will be adhered to.

3.5 The Enterprise & Regulatory Reform Act (ERRA) received Royal Assent on 25/04/13, and introduces a Public Interest test requirement on Whistleblowers. In order to receive the protection of PIDA, whistleblowers will now have to show that they reasonably believed that the disclosure they are making is in the Public Interest. The ERRA comes into force on 25/06/13 and affects disclosures made after that date onwards. Further information on the ERRA can be found at www.legislation.gov.uk

4 Confidentiality

4.1 All concerns will be treated in confidence and the identity of the employee raising the concern will not be revealed without his or her consent (subject to any legal requirements or decisions). At the appropriate time, however, the employee may be expected to come forward as a witness.

5 Anonymous Allegations

5.1 Employees' concerns expressed anonymously, for example via the Fraud Hotline (CDC 0800 716152/ SNC 01327 322177) or by letter, are likely to be difficult to deal with effectively. Consequently, employees are encouraged to put their name to any allegation and receive the protection of PIDA. However both Councils recognise that on occasion employees might feel that they could only come forward anonymously and the fraud hotline acts as an appropriate avenue for such situations.

5.2 Any action taken in response to an anonymous allegation will be influenced by factors including the seriousness of the issues raised and the likelihood of confirming the allegation from reliable sources.

6 Untrue Allegations & Legal Protection

6.1 If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the employee making the allegation. If, however, an allegation is made that is frivolous, malicious or for personal gain, action may be taken against the employee in accordance with either Council's Disciplinary Procedure.

6.2 As an employee of either Council you are also given legal protection by the Public Interest Disclosure Act 1998. If you make what is known as a "qualifying disclosure" under the 1998 Act to your employer or certain other persons/bodies, and you act reasonably and in good faith, it will be unlawful for either Council to subject you to any detriment (such as denial of promotion or withdrawal of a training opportunity), or to dismiss you, because of the disclosure.

6.3 Compensation may be awarded to you by an Employment Tribunal if either Council breaches the 1998 Act, following a successful claim for 'detrimental treatment'.

7 How To Raise A Concern

7.1 Employees should normally raise concerns in the first instance with their Line Manager. Alternatively, dependent upon the nature, seriousness and sensitivity of the issues involved and the person suspected of malpractice, the matter may be raised with the Senior Management Team, Internal Audit (PWC) or the External Auditor (currently the Audit Commission at both authorities). The Audit Commission is a 'prescribed person' under the Public Interest Disclosure Act 1998 and provides a confidential public interest disclosure line (0845 052 2646) for employees of councils, where they are unable, or unwilling, to report internally.

7.2 Concerns may be raised verbally or in writing. Employees who wish to raise a concern should provide details of the nature of the concern or allegation and its background, including relevant dates. The detail should be sufficient to demonstrate reasonable grounds for concern, although proof beyond doubt of an allegation is not expected at this stage. The earlier a concern is expressed, the easier it is to take action.

7.3 Employees may be represented and/or accompanied by a trade union, professional association, other representative or a friend throughout the process and during any meetings or interviews in connection with the concerns that have been raised.

7.4 Employees who would like to obtain free advice about the concern they have should contact The Audit Commission for England & Wales who deal with fraud and corruption in Local Government, as well as general conduct concerns. They can be telephoned on 0207 630 1019 or written to at The Audit Commission, 1 Vincent Square, London, SW1P 2PN. In addition, the Directgov website (www.direct.gov.uk) offers useful information and guidance on Whistle blowing.

8 How The Councils Will Respond

8.1 Matters raised under this policy should be investigated by the Investigation Manager (IM), unless they are involved in the allegation, in which case, an external investigator will look into the matter. The IM may involve:-

- The Investigation team
- Internal Audit
- Legal & Democratic Services
- Human Resources
- the police
- an external auditor
- an independent inquiry

when conducting the investigation. Alternatively, a disciplinary investigation may be the more appropriate course of action to take, in which case, the IM will advise Human Resources. In addition, it is important to know the difference between a ‘Whistle blow’ and a ‘grievance.’ A Whistle blow has a public interest aspect to it, as it puts at risk others. A grievance by contrast has no public interest factors, as it a complaint about a particular employment situation. A grievance should be reported using the Grievance policy, not this policy. For example, a member of staff being formally interviewed on capability grounds, without previously having had any indication that their performance was not acceptable, may lead to a grievance complaint being made. Whilst a member of staff who observes colleagues sharing/selling confidential data that they have access to, to un-authorised others, should lead to a Whistle Blow.

8.2 In order to protect individuals and those accused of misconduct or malpractice, the IM will make initial enquiries to decide whether an investigation is appropriate and, if so, what form it should take, having regard to the law and the public interest.

8.3 Some concerns may be resolved by agreed action without the need for investigation. It may be necessary to take urgent action before any investigation is completed.

8.4 The Officer with whom the concern has been raised under paragraph 7.1 will respond in writing within ten working days

- acknowledging that the concern has been received
- indicating how it is proposed to deal with the matter
- giving an estimate of how long it will take to provide final feedback
- stating whether any initial enquiries have been made
- supplying information on what staff support is available , and
- stating whether further investigations will take place and if not, why not.

8.5 Both Councils will take steps to minimise any difficulties that the employee may experience as a result of raising a concern. For instance, if he or she is required to give evidence in criminal or disciplinary proceedings either Council will arrange for advice to be given about the procedure (but not about what answers to give).

8.6 Both Councils accept that employees need to be assured that the matter has been properly addressed. Subject to legal constraints, either Council will inform the employee of the progress and outcome of any investigation.

8.7 It is important for employees to understand that making a whistle blowing allegation doesn't give them anonymity, but does give them protection from harassment or victimisation.

9 The Responsible Officer

9.1 The Chief Executive has overall responsibility for the maintenance and operation of this policy, and will maintain a record of concerns raised and the outcomes. This record will be in a form which does not compromise confidentiality. The Chief Executive will report as necessary to both Councils.

10 How The Matter Can Be Taken Further

10.1 This policy is intended to provide a process within Cherwell and South Northamptonshire District Councils, through which employees may raise concerns. If at the conclusion of this process the employee is not satisfied with any action taken or feels that the action taken is inappropriate, the following are suggested as further referral points:

- the external auditor
- a trade union
- a relevant professional body or regulatory organisation
- the police
- organisations prescribed from time to time by the Secretary of State for the purpose of protected disclosure under the Public Interest Disclosure Act.

Referral of any matter outside either Council must not compromise confidentiality. Employees should check this with the organisation being sent the referral.

Revised by Jeff Brawley – 6/06/13

Accounts Audit and Risk Committee

Review of Anti-Fraud Work 2012 - 13

26 June 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

This report sets out the review of the Investigations Team work in 2012/13.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to consider and note the contents of this report.

Summary

During the reporting period, 163 Investigations were closed, with 94 Investigations on going as of 31/03/13. It is a slight drop on last year's figures, but this is due to the team sharing some resource with South Northants to help provide an Investigation Service at their authority.

The direction of the team has been moved away from benefit fraud to counter other areas of fraud. This is reflected in the sanctions with 30 of the 75 sanctions being discount frauds and not benefits fraud.

There has been a slight reduction in prosecutions this year with pressures put on the Legal team (through a complex DPA enquiry and internal FOI request), meaning that they were unable to match last year's performance. Fifteen people still received criminal records for their actions, which when compared with the Oxfordshire and Thames Valley benchmarking group is still a good performance.

Another pleasing statistic is that the team still identified £196,534 of benefits/discounts for recovery, against a target of £200,000. This is despite the emphasis moving into the area of discount fraud which doesn't attract the same level of overpayments that benefit cases do. Success rate is a healthy 65%, which indicates sound risk assessment and investigation of referrals made.

There has also been increased activity with other Council Services in our corporate capacity. In 2011-12 we investigated 4 cases. In the reporting period 2012-13 we investigated 14 with the main areas of abuse being in Housing and Elections with a couple of internal matters and Grants investigated successfully also.

The residents of Cherwell continue to support the work of the team accessing our Service with 72 Hotline calls, 20 letters and 11 website referrals made during the reporting period.

Implications

Financial:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Risk Management:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	**Title**
n/a	
Background Papers	
n/a	
Report Author	Jeff Brawley, Investigations Manager
Contact Information	jeff.brawley@cherwell-dc.gov.uk 01295 221978

Accounts Audit and Risk Committee

Internal Audit Plan and Risk Assessment 2013/14

26 June 2013

Report of Chief Internal Auditor

PURPOSE OF REPORT

For the committee to receive the attached Internal Audit Risk Assessment and Plan 2013/14. For members of the committee to also receive and consider the New Public Sector Internal Audit Standards and Internal Audit Charter.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to consider and note the contents of this report.

Executive Summary

The Internal Audit Risk Assessment and Plan 2013/14 sets out Internal Audit's planned programme of work for the current year.

The New Public Sector Internal Audit Standards apply from April 2013. The Internal Audit Plan and Charter have been updated to fit with the New Public Sector Internal Audit Standards.

Implications

Financial:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Legal:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731
Risk Management:	There are no implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Internal Audit Risk Assessment and Plan 2013/14
Appendix 2	Internal Audit Charter
Appendix 3	New Public Sector Internal Audit Standards
Background Papers	
n/a	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	07720 427215 Chris.Dickens@uk.pwc.com

Cherwell District Council
Internal Audit Risk Assessment and Plan

2013/2014

Internal audit risk assessment and plan

June 2013

Distribution List
Joint Management Team
Members of the Audit Committee

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Contents

1. Introduction and Approach

Introduction

This document sets out the internal audit risk assessment and annual plan for Cherwell District Council ("the Council").

Approach

A summary of our approach to developing the risk assessment and annual internal audit plan is set out below. A more detailed description can be found in Appendix 3.

Step 1 **Understand corporate objectives and risks**	• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
Step 2 **Define the audit universe**	• Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.
Step 3 **Assess the inherent risk**	• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
Step 4 **Assess the strength of the control environment**	• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
Step 5 **Calculate the audit requirement rating**	• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
Step 6 **Determine the audit plan**	• Determine the timing and scope of audit work based on the organisation's risk appetite.
Step 7 **Other considerations**	• Consider additional audit requirements to those identified from the risk assessment process

Key contacts

Meetings have been held with the Joint Management Team as part of the planning process, and we consulted Ernst and Young (the External Auditors).

Scope of our plan

We discuss the resources available for the internal audit service with officers, and a budget of 142 days is available. We agreed that this was sufficient for the work required to report on key risks and controls during the year and to prepare our annual audit opinion and report. We cannot address all risks identified by the risk assessment process. The Audit Committee needs to be satisfied that we address those risks about which it needs assurance, and let us know if it requires us to reassess priorities or carry out further work.

Basis of our annual internal audit conclusion

We comply with the Public Sector internal Audit Standards, which are not designed or intended to conform to the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board. As a consequence our work is not designed to comply with the International Standards on Assurance Engagements.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported in our final individual internal audit reports.

Defining the Audit Universe

We have identified the auditable units within the Council based on your structure and meetings with officers and members.

Any processes running across a number of different elements in the Council and which can be audited once have been separately identified under cross-cutting reviews in the audit universe, which is shown in full in Section 2. Where processes are currently shared or there are plans for joint arrangements with South Northamptonshire Council in year, these have been identified in our assessment and annotated as “joint reviews” in our draft audit plan.

Corporate level objectives and risks as defined in both the Corporate Priorities and Risk Register respectively have been mapped to the auditable units. They are set out in Appendix 1.

2. Risk Assessment

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 3.

** Denotes those services which will be shared with South Northamptonshire Council (SNC) during 2013/14 or where a single policy or procedure is in place across the Authorities.

Ref	Auditable Unit	Corporate priority	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
A	Cross-cutting Processes						
A.1	General Ledger **	An accessible, Value for Money Council	6	4	4		Every year
A.2	Debtors **		6	5	4		Every year
A.3	Creditors **		6	5	4		Every year
A.4	Payroll		6	5	4		Every year
A.5	Budgetary Control		6	4	4		Every year
A.6	Collection Fund		6	4	4		Every year
A.7	Cashiers		4	3	3		Every two years
A.8	Treasury Management **		4	3	3		Every two years
A.9	Housing Benefits		6	4	4		Every year
A.10	Fixed Assets **		6	4	5		Every year
A.11	VAT **		3	2	2		Every three years
A.12	Car Parking		5	4	3		Every two years
A.13	Risk Management **		5	3	4		Every year
A.14	Information Technology **		6	4	4		Every year
B	Department Level						
B.1	Community Services	A District of Opportunity	5	3	4		Every year

Ref	Auditable Unit	Corporate priority	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
B.2	Environmental Services	A cleaner, greener District	5	2	4		Every year
B.3	Finance and Procurement **	An accessible, value for money Council	5	3	4		Every year
B.4	Law and Governance	A safe, healthy and thriving district.	4	3	3		Every two years
B.5	Public Protection and Development Management	A cleaner, greener District	4	2	3		Every two years
B.6	Strategic Planning and the Economy	A cleaner, greener District A District of opportunity	5	3	4		Every year
B.7	Regeneration and Housing	A safe, healthy and thriving district; and A District of opportunity.	5	3	4		Every year
B.8	Communications	A District of Opportunity; and An accessible, value for money council.	3	2	3		Every two years
B.9	Performance Management	A District of opportunity	5	3	4		Every year
B.10	Programme Management **	An accessible, value for money Council	5	3	4		Every year
B.11	Human Resources **	A District of opportunity	5	3	4		Every year

Key to frequency of audit work

Audit Requirement Rating	Colour Code	Timescale	Description
6, 5,4		Every year	A review of processing and monitoring control design and operating effectiveness
3		Every two years	

Audit Requirement Rating	Colour Code	Timescale	Description
2		Every three years	
1		No further work	n/a

The audit requirement rating drives the frequency of an internal audit. Our recommended planning approach involves scheduling an annual audit when the rating ranges from 6 to 4, an audit every two years when the rating is 3 and an audit every three years when the rating is 2.

The internal audit budget of 142 days means our recommended planning approach can't be followed. Therefore, the frequency internal audits are scheduled has been flexed. This means all auditable units can now be audited over a three year cycle given the size of the internal audit budget. Flexing the frequency means management and the Accounts, Audit and Risk Committee is accepting an increased risk appetite.

3. Internal Audit Plan and Indicative Timeline

Internal Audit Plan and Indicative Timeline

We have discussed with management the expectation that our audit days will decrease from prior year to reflect the needs of the Council to make efficiency savings. This commitment has been reflected in the total number of audit days decreasing from 160 in prior year to a proposed 142. This is in line with our indicative audit plan we submitted to management as part of the tender process. The plan below also includes the 20 days of reviews deferred from 2012/13 plan in addition.

Ref	Auditable Unit	Indicative number of audit days	Q 1	Q 2	Q 3	Q 4	Points of Focus
A	Cross-cutting Processes						
A.1	General Ledger **	3			X		• Key control account reconciliations • Input and output controls • System enhancements • System integrity • Suspense Accounts
A.2	Debtors**	3			X		• Identification of income streams • Invoice raising • Debt collection and recovery
A.3	Creditors **	3			X		• Order and invoice process • Payments process • Creditor system outputs
A.4	Payroll	3			X		• Changes to standing data • Payment process • Expenses and flexi time • System integrity
A.5	Budgetary Control Treasury Management	5				X	• Recharge structure • Budget setting and cost centre configuration • Budget monitoring processes • Variations • Treasury Management policy • Investment decision making process
A.6	Collection Fund	3			X		Council Tax and Business Rates processes To include: • Calculation of liabilities • Billing processes • Debt Collection and Recovery • Interaction with CAPITA • System integrity

A.9	Housing Benefits	4			X		• Processing of benefits claims • Accounting for housing benefits • Performance monitoring
A.13	Risk Management **	8		X		X	• Policies and Procedures • Reporting and Monitoring of risk • Risk Identification • Embedding Risk Management
A.14	IT Transition Arrangements (Specialist)**	5	X				Deferred from 2012/13 Plan Review of the arrangements in place for reconfiguration of the IT function to include: • Resource mapping • Data Protection arrangements • Software enhancements and procurement
A.14	IT Policies and Procedures (Specialist)**	5		X			Deferred from 2012/13 Plan Review of the joint policies and procedures in place for IT to ensure they are robust and fit for purpose.
A.14	Disaster Recovery and Business Continuity (Specialist)**	3		X			Follow up on 2012/13 review • Design of policies and procedures for disaster recovery and business continuity • Testing of procedures • Communication of controls
A.14	IT Risk Management Access and Recovery (Specialist)**	5		X			We will review the design and operating effectiveness of the IT risk management controls in place to ensure: • IT risks are identified and captured in a timely manner; • IT risks are consistently managed and where necessary appropriate mitigation is in place; and • The IT risk register is complete, accurate and valid. We will review controls around access rights on selected systems to consider the following controls • Adequate passwords are in place for each IT platform; • Authorisation controls over new starters access to the network and applications; • Controls over timely notification and removal of leavers, and removal of access to the network and applications; • Regular evidenced, independent review of user access; and • Appropriate controls over application administrators (including superusers).
	TOTAL	**50**					

B	Department Level						
B.1	Finance and Procurement – Year end support ** (Specialist)	4				X	• Year end accounts support (13/14)
B.2	Performance – Performance Management	5			X		• Use of Performance Plus • Data Quality Spot Checks • Rationalisation of Performance Indicators • Post Employment Training Review
B.3	Community Services – Grant Allocation	5		X			• Application process • Stewardship of funds • Accounting for grants
B.4	Programme Management - Project and Programme Management ** (Specialist)	20		X	X	X	• Welfare Reform Review • Programme Resource Planning • Gateway Review Controls • Partnership arrangements • Major Projects - Focusing on Banbury / Bicester developments ○ Assessment process, governance, resources, skills identification, service impact assessment, stakeholder management. • Council Tax Benefit to Council Tax Reduction Scheme and Business rates Retention
B.5	Human Resources – Workforce Planning and Performance Management ** (Specialist)	5		X			Deferred from 2012/13 Plan • Workforce planning • Resource Link Project
B.6	Payroll Implementation** (Specialist)	5		X			Deferred from 2012/13 Plan Review of merging of the Council's payroll systems
B.7	Environmental Services	5			X		• Contract arrangements • Governance processes • Raising and collection of income • Collection rates
B.8	Human Resources – Employment Contracts ** (Specialist)	5			X		Review of employment contracts – review of arrangements in place
	TOTAL	**54**					
VE	Value Enhancement						
VE.1	Joint Working Arrangements**	10		X			Review of performance and governance arrangements around current joint working arrangements. • Service Quality impact • Resource / Skills gap impact

VE.2	Joint Working Arrangements**	10			×		Review of performance and governance arrangements around planned future joint working arrangements • Identification/ Assessment business cases • Service Quality impact assessment • Resource / Skills gaps impact assessment
VE.3	Contingency	10					To respond to emerging risks as identified
	TOTAL	**30**					
PM	Project Management						
PM1	Follow up	5					
PM 2	Audit Management	23					
	TOTAL	**28**					
	TOTAL PROPOSED DAYS	**162**					

Where reviews have been annotated "**", these relate to processes we have assumed will be followed consistently across both Cherwell 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.

In addition to these services, we will provide a range of benefits to the Council at no additional cost which include:

- Regular technical updates and alerts from PwC Assurance on topics including accounting changes and new legislation;
- Circulation of recent publications by PwC and PwC's Public Sector Research Institute plus ad hoc reports;
- Provision of thought leadership pieces eg In Control which looks at Audit Committee Chairman's expectations of their internal auditors;
- Ad hoc briefings for the Audit Committee (e.g. risk management and local government finance); and
- An invitation for the Chair of Audit Committee and officers to attend our local training days

Appendix 1: Corporate Objectives and Risks

These corporate level priorities have been determined by you in your '2013/14 Business Plan'.

Priority	Cross reference to Internal Audit Plan (see Section 4)
A District of opportunity	B1. Community Services B.8 Communication Services B.9 Performance Management B.11 Human Resources B.6 Strategic Planning and the Environment B.7 Regeneration and Housing
A Cleaner, Greener District	B.2 Environmental Services B.6 Strategic Planning and the Environment
A Safe, Healthy and Thriving District	B.9 Law and Governance B.7 Regeneration and Housing
An accessible, Value for Money Council	A.1 to A.17 All Cross Cutting Sections B.3 Finance and Procurement B.8 Communications B.8 Programme Management

We have reviewed your corporate risk and opportunities register and linked all high risks scoring net in excess of 10 points to our audit plan as follows:

Risk	Cross reference to Internal Audit Plan (see Section 4)
1. RC04 Joint Working. Failure to implement and manage joint working- resulting in: • Reduced performance; • Failure to realise savings/ benefits • Negative impact on reputation	VE1 Joint Working Arrangements VE2 Joint Working Arrangements
2. RC09 Emergency Planning The Emergency Plan is a document that formulates the Councils responses to major incidents around the district and across its boundaries.	A.14 Disaster Recovery
3. RC08 Health and Safety Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the Council.	B.8 Environmental Services B.5 Performance Management B.9 Law and Governance
4. Capital Investment & Asset Management Poor investment and asset management results in the Councils not maximising financial returns or losing income.	A.15 Treasury Management VE.1 Critical Friend

Appendix 2: Risk Assessment Criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

Impact rating	Assessment rationale
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Detailed methodology

Step 1 -Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- reviewed your corporate plan, organisational structure and corporate risk register;
- drawn on our knowledge of the local government sector; and
- met with the Joint Management Team and members.

Step 2 -Define the Audit Universe

In order that our internal audit plan reflects your management and operating structure we have identified the audit universe for Cherwell District Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 -Assess the inherent risk

Our internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise.

The inherent risk assessment is determined by:

- mapping the corporate risks to the auditable units
- our knowledge of your business and its sector
- discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 -Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- our knowledge of your internal control environment;
- information obtained from other assurance providers; and
- the outcomes of previous internal audit reviews.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas of with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process(es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency or lower intensity of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 -Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

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Cherwell District Council

Internal Audit Charter

June 2013

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Cherwell District Council

Internal Audit Charter

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Internal Audit Charter

1. Mission

The Internal Audit ("IA") function's main purpose is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The function provides independent and objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control in Cherwell District Council ("CDC" or "the Council") in an economical, efficient and timely manner.

This includes identification of risks and assessment of their management, and implementation of changes to strengthen the governance framework. The Chief Audit Executive's ("CAE") opinion is a key element of the framework of assurance that the Director of Resources needs to inform the completion of the Annual Governance Statement.

(Throughout this Charter, references to the Director of Resources may be delegated to the Head of Finance and Procurement)

The purpose of this Charter is to:

- provide the Internal Audit function within CDC with the authority it needs to fulfil its role and purpose in providing an independent evaluation and assurance opinion; and
- sets out the working relationship that should exist between CDC's IA function and other stakeholders.

Where appropriate, IA may act in a consultancy capacity by providing guidance and advice for strengthening the control environment within CDC, as well as facilitating workshops relating to governance, risk management and internal control. When performing consulting services, the auditor must maintain objectivity and not take on management responsibility.

2. Scope of work

The scope of work of internal audit is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council's control process;
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately, and
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

Our scope of work may include audit activity both within CDC and on functions that CDC has delegated or contracted out, where CDC remains accountable for the expenditure involved.

Where other external assurance providers (e.g. Ernst & Young LLP) and internal assurance providers may have undertaken relevant assurance and audit work, IA will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

3. Authority of Internal Audit

IA derives its authority from those authorising this Charter to provide a free and unfettered ability to plan and undertake audit assignments deemed necessary to fulfil its purpose, and have a right of direct access to the Chair of the Audit Committee in doing so.

To enable the service to discharge its duties fully, the CAE and his internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property, and personnel;
- Have full and free access to the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the Council where they perform audits, as well as other specialised services from within or outside the Council.

The Chief Audit Executive and his internal audit staff are not authorised to:

- Perform any operational duties for the Council or its affiliates;
- Initiate or approve accounting transactions; and
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

4. Responsibility

The CAE and staff of the IA function have a responsibility to:

Plan

- Develop a flexible annual strategy and audit plan using a risk-based methodology, including any risks and concerns identified by management, and submit that strategy and plan, as well as periodic updates, to the Director of Resources and the Audit Committee for review and approval;
- The plan, which mainly comprises a series of audits, will have sufficient description of the rationale and basis for audit selection as to enable the members of the Audit Committee to challenge the content, focus and adequacy. This should include CDC's objectives and risks, the audit universe (topic areas which make up the business activities and may be selected for review), assurances over key risks from other mechanisms, and consideration of regulatory requirements; and
- Agree significant changes to the plan with the Director of Resources and the Audit Committee;

Act

- Implement the annual strategy by assessing third party assurance sources and conducting audits in accordance with the approved plan, and relevant professional standards and policies;

- Track status of outstanding management actions and provide regular updates to the Audit Committee, including escalation of overdue items of significant risk;
- Evaluate and assess areas of significant change;and
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit Committee of the results.

Report

- Agree a reporting protocol with the Audit Committee, to include the basis for grading reported issues and audit opinions, timescales for completing reports and reviews (including expectations and associated escalation procedures), and the format for all reports. The reporting protocol should also include agreements on, and the timescales for, following up audit reports and tracking issues raised and their clearance;
- Issue periodic reports to management and the Audit Committee summarising results of Internal Audit activities; and
- Consider the scope of work of Ernst & Young LLP and other assurance providers for the purpose of providing optimal assurance coverage.

Communicate

- Communicate regularly with Internal Audit stakeholders and customers to ensure that changes in the business, its activities and the control environment are factored into the Internal Audit strategy and plan where appropriate;and
- During audits, raise significant issues for the attention of line management as soon as identified, and discuss all draft reports with the auditee before publication to confirm facts and incorporate management responses.

Perform

- Keep the Director of Resources and the Audit Committee informed as to the performance of the Internal Audit service.

5. Reporting lines

Day to day management of the Internal Audit team will be performed by the CAE. The CAE reports to the Director of Resources for organisational purposes but will report significant audit findings and audit progress directly to CDC's Audit Committee, and the Director of Resources as appropriate. The CAE will keep the Director of Resources and the Audit Committee informed of progress and developments on a regular basis. The CAE has a direct right of access to the Director of Resources as and when required.

Should the CAE not be satisfied with management's response to a given audit report then this will be highlighted to the Audit Committee and significant weaknesses escalated to the Director of Resources if they remain unresolved.

6. Independence and objectivity

To provide for the independence of internal audit, its personnel report to the CAE, who reports functionally to the Audit Committee and administratively to the Director of Resources in a manner outlined in the section below on Accountability.

The CAE will include as part of his reports to the Audit Committee a regular report on internal audit progress against the internal audit plan and, at least annually, the organisational independence of the Internal Audit activity.

7. Accountability

The CAE, in the discharge of his duties, shall be accountable to the Director of Resources for:

- Providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of CDC's framework of governance, risk management and control;
- Reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
- Periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit function's resources;and
- Co-ordination with other significant assurance functions.

8. Management responsibilities

An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Director of Resources and the Audit Committee are mandating management to co-operate with Internal Audit in the delivery of the service by:

- Agreeing Terms of Reference no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
- Sponsoring each audit at Head of Service level;
- Providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- Responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
- Implementing agreed management actions in accordance with the agreed timescales;and
- Updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in process and systems, newly identified significant risks and cases of a criminal nature.

The Audit Committee and the Direcor of Resources are responsible for appointing the CAE and for the performance management of the CAE. Instances of late responses to reports, and agreed actions not being implemented will be escalated to the Director of Resources and the Chair of the Audit Committee.

Whilst the annual internal audit report is a key element of the assurance framework required to inform the Annual Governance Statement ("AGS"), there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from internal audit will be agreed with the Audit Committee at the beginning of the year and presented in the annual internal audit plan (and subsequent agreed amendments). As such, the annual internal audit opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

9. Advisory work

Public Sector Internal Audit Standards ("PSIAS") allow that Internal Audit effort may sometimes be more usefully focused towards providing advice rather than assurance over core controls. IA at CDC will provide advice on this basis, providing:

- IA's involvement contributes to the overall opinion which it provides on risk management, control and governance, and the improvement thereof;
- The request has been approved at Executive Director level;
- IA is considered to have the right skills, experience, and available resource;and
- IA's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and IA will not assume a management role in providing this advice.

The CAE is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which IA will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Audit Committee.

10. Relationships

The Chief Audit Executive and internal audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships With Management**
  The Chief Audit Executive and internal audit staff will maintain effective relationships with managers of the Authority. Regular meetings will be held with key stakeholders and management will be consulted with in the audit planning process. Timing of audit work will be in conjunction with management.

- **Relationships With External Auditors**
  Internal audit and Ernst & Young LLP have an established working relationship where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans and reports shared.

- **Relationships With Regulators And Inspectors**
  The Chief Audit Executive and his staff will take account of the results and reports from any inspections when planning and undertaking internal audit work. Where appropriate, the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships With Elected Members**
  The Chief Audit Executive will establish a working relationship with members, in particular with members of the Audit Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit Committee if desired.

11. Standards of Internal Audit Practice

This charter recognises the mandatory nature of the IIA definition of Internal Auditing and code of ethics, and the Public Sector Internal Audit Standards (PSIAS).

The IA team comply with the standards as laid out in the new PSIAS that came into effect on 1 April 2013.

In specific terms all CDC IA engagements are subjected to a thorough internal peer review of quality by PwC, to ensure that its work meets the standards expected from its staff. For example, the internal file quality reviews undertaken by PwC covers:

- Ensuring all work undertaken is in accordance with Public Sector Internal Audit Standards;

- The work is planned and undertaken in accordance with risks associated with areas under review;
- Sampling is undertaken in accordance with the PwC's methodology; and
- The conclusions are fully supported by our detailed work undertaken.

This charter is authorised within Cherwell Council:

Director of Resources

Martin Henry

Audit Committee Chair

Councillor Trevor Stevens

With the agreement of:

Chief Audit Executive

Richard Bacon

Presented to Audit Committee June 2013

APPENDIX 1

PwC Internal Audit Team

The team

The core team who will be involved in the planning, delivery and management of the audit work are as follows. The core team will be supported by a team of PwC auditors and technical specialists as needed.

Richard Bacon

Chief Audit Executive

- Key contact for the Chief Executive and the Chair of the Audit Committee
- Co-ordinate and oversee delivery of all services and activities under the contract for CDC – proactively build relationship with management and stakeholders
- Setting our annual programme of work, for approval by the Chief Executive and Audit Committee
- Attend Audit Committee when required, including delivery of the annual IA opinion
- Strategic deployment of PwC resources to meet CDC needs
- Drive innovation, consistency and cash savings across PwC delivery resource
- Performance of senior team members
- Quality review all final draft/final reports and all final terms of reference.

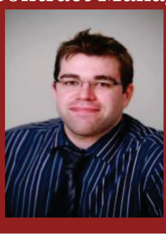
Chris Dickens

Internal Audit Contract Lead

- Maintain our strategic relationship with Director of Resources
- Maintain day to day contact with the Head of Finance and Procurement
- Lead our core auditors and project manage, as required, key experts into the internal audit plan
- Responsible for team members' performance
- Co-ordinate activities and delivery of team across the country to ensure value for money is achieved
- Attend Audit Committee.

Ed Cooke

Contract Manager



- Maintain day to day contact with the Head of Finance and Procurement and core finance team
- Responsible for the day to day delivery of our core services and activities
- Engagement Manager on the value enhancement reviews we perform
- Scope terms of reference for audits and review/quality assure project fieldwork performed by team
- Brief team members about CDC and issues relevant to specific projects
- Project manage delivery of agreed audit assignments
- Production of progress reports for the contract as a whole.

Chris Taylor

Team Manager

- Responsible for the day to day delivery of our core services and activities
- Engagement manager on the value protection reviews
- Maintain day to day contact with the Finance team
- Scope terms of reference for audit s and review/quality assure project fieldwork performed by team
- Brief team members about CDC and issues relevant to specific projects
- On support for audit fieldwork

The teams contact details are as follows:

Name	E-mail	Mobile Phone
Richard Bacon	richard.f.bacon@uk.pwc.com	07973 198707
Chris Dickens	chris.dickens@uk.pwc.com	07720 427215
Ed Cooke	Edward.j.cooke@uk.pwc.com	07841 563 231
Chris Taylor	Christopher.j.x.taylor@uk.pwc.com	07538 748923

APPENDIX 2

Communication protocol

Protocol	Responsible	Timescale
Audit planning: *These timescales may be amended with the agreement of the Audit Sponsor*[1]		
Audit Sponsor contacted	Internal Audit	**No less than 4 weeks** before the start of audit fieldwork
Meeting between Audit Sponsor and Internal Audit to agree scope of review.	Internal Audit and Audit Sponsor	**No less than 3 weeks** before the start of audit fieldwork.
Draft scope issued to Audit Sponsor for agreement. [2]	Internal Audit	**No less than 2 weeks** before the start of audit fieldwork
Audit Sponsor agreement of scope	Audit Sponsor	**No less than 1 weeks** before the start of fieldwork
Audit fieldwork and closure		
Exit meeting to confirm matters arising from the audit.	Internal Audit and Audit Sponsor	**No more than 1 week** after completion of fieldwork
Audit reporting		
Initial Draft report issued to Audit Sponsor and other agreed key stakeholders	Internal Audit	**No more than 2 weeks** after exit meeting
Audit Sponsor confirmation as to the material accuracy of the initial draft report, or highlighting of accuracy issues to be discussed/amended.	Audit Sponsor	**No more than 1 week** after receipt of report
If required, clearance meeting to resolve material factual accuracy issues and discuss management responses	Internal Audit and Sponsor	**No more than 2 weeks after receipt of initial draft report.** A revised report will then be issued within 1 week
Management Responses		

[1] *The audit sponsor is, typically, the Head of Service or other delegated member of Council staff.*

[2] *The scoping document will confirm key audit milestone dates for the fieldwork and reporting stages of the audit and represents a contract of agreement between the audit sponsor and internal audit.*

Protocol	Responsible	Timescale
Management Responses Audit sponsor provides: • Management responses, including responsible officers for implementation and deadlines, to audit recommendation • Overall conclusion for inclusion within executive summary of the report	Audit Sponsor	**No more than 1 week** after issue of revised report following clearance meeting. If a clearance meeting is not required, management responses will be provided 2 weeks after confirmation of material accuracy of initial draft report by audit sponsor
Report finalisation		
Report finalised, and circulated.	Internal Audit	**No more than 1 week** after final draft report has been issued
Actions		
Implementation of recommendations in line with agreed report	Audit sponsor	**In line with agreed report**

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New Public Sector Internal Audit Standards

Cherwell District Council

June 2013

pwc

New Public Sector Internal Audit Standards

On 18 December 2012, the Treasury issued new Public Sector Internal Audit Standards ('the standards'), which came into effect on 1 April 2013. The standards comprise of the existing Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF) together with additional public sector requirements, interpretations and definitions. The standards apply to local government, central government and NHS bodies in England, Wales, Scotland and Northern Ireland.

The new standards stress the importance of compliance with a Code of Ethics. Internal auditors who work in the public sector must have regard to the Committee on Standards of Public Life's *seven principles of public life:*

- Selflessness;
- Integrity;
- Objectivity;
- Accountability;
- Openness;
- Honesty; and
- Leadership.

The new standards are intended to:

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The new standards reiterate the need for Internal Auditor's to agree an Internal Audit Charter which must:

- Define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- Cover the arrangements for appropriate resourcing;
- Define the role of internal audit in any fraud-related work; and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

The standards confirm that the HIA should report functionally to the board (for example, through the audit committee), establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee and must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Instances of non-conformance with the standards must be reported to the board (for example, through the audit committee). More significant deviations must be considered for inclusion in the governance statement (the mechanism by which an organisation publicly reports on its governance arrangements each year).

The standards stress that the annual IA risk assessment and plan must include the approach to using other sources of assurance and any work required to place reliance upon those other sources, and that value for money objectives of economy, efficiency and effectiveness should be considered when preparing the annual IA risk assessment and plan.

In line with the new standards, the HIA must deliver an annual IA opinion and report that can be used by the organisation to inform its governance statement. The annual IA opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual IA report must incorporate:

- The opinion;
- A summary of the work that supports the opinion;and
- A statement on conformance with the standards and the results of the quality assurance and improvement programme.

As part of the development of our Internal Audit plan for 2013/14, we will provide the Audit Committee with assurance over our compliance with the new Internal Audit Standards.

The existing Internal Audit Charter for Internal Audit will be updated and presented to the Audit Committee as a new Internal Audit Charter that will be in a separate report.

Appendix

Public Sector Internal Audit Standards

Applying the IIA International Standards to the UK Public Sector

Issued by the Relevant Internal Audit Standard Setters:

CIPFA The Chartered Institute of Public Finance & Accountancy

DH Department of Health

Llywodraeth Cymru
Welsh Government

Department of Finance and Personnel
www.dfpni.gov.uk

HM TREASURY

The Scottish Government
Riaghaltas na h-Alba

In collaboration with:

Chartered Institute of Internal Auditors

Public Sector Internal Audit Standards

Applying the IIA International Standards to the UK Public Sector

ISBN 978 1 84508 356 4

Contents

SECTION 1

Introduction

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

This document is therefore addressed to Accounting Officers, Accountable Officers, board and audit committee members, heads of internal audit, internal auditors, external auditors and other stakeholders such as chief financial officers and chief executives.

Framework overview

The Relevant Internal Audit Standard Setters (RIASS)[1] have adopted this common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.

The overarching principle borne in mind when all potential public sector interpretations and/or specific requirements were considered was that only the minimum number of additions should be made to the existing IIA Standards. The criteria against which potential public sector requirements were judged for inclusion were:

- where interpretation is required in order to achieve consistent application in the UK public sector
- where the issue is not addressed or not addressed adequately by the current IIA Standards, or
- where the IIA standard would be inappropriate or impractical in the context of public sector governance (taking into account, for example, any funding mechanisms, specific legislation etc).

At the same time, the following concepts were also considered of each requirement or interpretation being proposed:

- materiality
- relevance
- necessity, and
- integrity (the additional commentary does not cause inconsistency elsewhere).

1 The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Wherever reference is made to the International Standards for the Professional Practice of Internal Auditing, this is replaced by the PSIAS. Chief audit executives are expected to report conformance on the PSIAS in their annual report.

Purpose of the PSIAS

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Additional guidance is a matter for the RIASS.

Scope

The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.

All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing (see section 3). The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The Code of Ethics promotes an ethical, professional culture (see section 4). It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

In common with the IIA IPPF on which they are based, the PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. While the Attribute and Performance Standards apply to all aspects of the internal audit service, the Implementation Standards apply to specific types of engagements and are classified accordingly:

- Assurance (A) and
- Consulting (C) activities.

The Standards employ terms that have been given specific meanings that are included in the Glossary.

Key governance elements

Within the PSIAS, the terms 'board' and 'senior management' need to be interpreted in the context of the governance arrangements within each UK public sector organisation, as these arrangements vary in structure and terminology between sectors and from one organisation and the next within in the same sector.

It is also necessary for the chief audit executive to understand the role of the Accounting or Accountable Officer, Chief Financial Officer, chief executive, the audit committee and other key officers or relevant decision-making groups as well as how they relate to each other. Key relationships with these individuals and groups are defined for each internal audit service within its charter.

SECTION 2

Applicability

The Relevant Internal Audit Standard Setters for the various parts of the UK public sector are shown below, along with the types of organisations in which the PSIAS should be applied.

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
CIPFA			**UK** Local authorities. **England & Wales only** The Office of the Police & Crime Commissioner, constabularies, fire authorities, National Park authorities, joint committees and joint boards in the UK. **Scotland only** Strathclyde Partnership for Transport.
HM Treasury	**UK*** Government departments and their executive agencies and non-departmental public bodies.		
Department of Health		**England** Clinical Commissioning Groups. NHS Trusts.	

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
Scottish Government	**Scotland** The Scottish Government, the Crown Office and Procurator Fiscal Service, Executive Agencies and non-ministerial departments, non-departmental public bodies, the Scottish Parliament Corporate Body and bodies sponsored / supported by the Scottish Parliament Corporate Body.	**Scotland** NHS Boards, Special NHS Boards, NHS Board partnership bodies in the public sector (eg joint ventures, Community Health Partnerships etc), NHS Board subsidiaries.	
Welsh Government	**Wales** The Welsh Government, National Assembly for Wales and Welsh Government sponsored bodies including commissioners.	**Wales** Health Boards and Trusts.	
Northern Ireland Assembly: Department of Finance and Personnel (NI)	Government departments, executive agencies, non-ministerial departments, non-departmental public bodies, NI health and social care bodies and other relevant sponsored bodies.		

* Unless the body falls under the jurisdiction of the devolved governments.

SECTION 3

Definition of Internal Auditing

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.

SECTION 4

Code of Ethics

> **Public sector requirement**
>
> Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

> **Public sector interpretation**
>
> The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

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Public sector interpretation

The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1 Integrity

Principle

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

Rules of Conduct

Internal auditors:

1.1 Shall perform their work with honesty, diligence and responsibility.

1.2 Shall observe the law and make disclosures expected by the law and the profession.

1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2 Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3 Confidentiality

Principle

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

Rules of Conduct

Internal auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4 Competency

Principle

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

Rules of Conduct

Internal auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk

SECTION 5

Standards

Attribute Standards

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

1010 Recognition of the *Definition of Internal Auditing,* the *Code of Ethics* and the *Standards* in the Internal Audit Charter

The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

1100 Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.

1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

Interpretation:

Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- approving decisions regarding the appointment and removal of the chief audit executive;
- approving the remuneration of the chief audit executive; and
- making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

Public sector requirement

The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

Public sector interpretation

Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.

1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

1111 Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2

Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.C1

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2
If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

> **Public sector requirement**
>
> Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

Interpretation:

Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.

> **Public sector requirement**
>
> The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

1210.A1
The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2
Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3
Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1

The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

1220.A2

In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3

Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1

Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

1230 Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

1300 Quality Assurance and Improvement Programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing,* the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

Public sector requirement

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.

1320 Reporting on the Quality Assurance and Improvement Programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Public sector requirement

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

1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

Interpretation:

The internal audit activity conforms with the Standards when it achieves the outcomes described in the *Definition of Internal Auditing, Code of Ethics* and *Standards*.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

Public sector requirement

Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.

Performance Standards

2000 Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

Interpretation:

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the *Definition of Internal Auditing* and the *Standards;* and
- The individuals who are part of the internal audit activity demonstrate conformance with the *Code of Ethics* and the *Standards*.

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

2040 Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Public sector requirement

The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

2070 External Service Provider and Organisational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the *Definition of Internal Auditing,* the *Code of Ethics* and the *Standards*.

2100 Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

2110 Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

2110.A1

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.

2110.A2

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

2120 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1

The internal audit activity must evaluate risk exposures relating to 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.

2120.A2

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

2120.C1

During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2

Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

2120.C3

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 Control

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1

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.

2130.C1

Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

2201 Planning Considerations

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

2201.A1

When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1

Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.

2210 Engagement Objectives

Objectives must be established for each engagement.

2210.A1

Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2

Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.

2210.A3

Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.

Public sector interpretation

In the public sector, criteria are likely to include value for money.

2210.C1

Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.

2210.C2

Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.

2220 Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1

The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.

2220.A2

If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2

During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.

2240 Engagement Work Programme

Internal auditors must develop and document work programmes that achieve the engagement objectives.

2240.A1

Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.

2240.C1

Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

2310 Identifying Information

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

2320 Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1

The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2

The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2330.C1

The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2340 Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 Communicating Results

Internal auditors must communicate the results of engagements.

2410 Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

2410.A1

Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2

Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3

When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

2410.C1

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"

Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing",* only if the results of the quality assurance and improvement programme support the statement.

2431 Engagement Disclosure of Nonconformance

When nonconformance with the *Definition of Internal Auditing,* the *Code of Ethics* or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the *Code of Ethics* or Standard(s) with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

2440.A1

The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/ or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2

During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will identify:

- The scope including the time period to which the opinion pertains;
- Scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

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If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

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Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing",* only if the results of the quality assurance and improvement programme support the statement.

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When nonconformance with the *Definition of Internal Auditing,* the *Code of Ethics* or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the *Code of Ethics* or Standard(s) with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

2440.A1

The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/ or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2

During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will identify:

- The scope including the time period to which the opinion pertains;
- Scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2500 Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1

The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

Glossary

Add Value

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Public sector definition: Assurance Framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Public sector definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

Code of Ethics

The *Code of Ethics* of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The *Code of Ethics* applies to both parties and entities that provide internal audit services.

The purpose of the *Code of Ethics* is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

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

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organisation is willing to accept.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

The rating, conclusion and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

Information Technology Governance

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) strongly recommended.

> **Public sector interpretation**
>
> Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.

> **Public sector interpretation: International Standards for the Professional Practice of Internal Auditing**
>
> The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

Must

The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Should

The *Standards* use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).

2012/13 Work Programme

Topic	Lead	23-Jan-13	27-Mar-13	Informal Session	26-Jun-13	18-Sep-13	Dec-13
1. Apologies for Absence and Notification of Substitute Members	Chairman of AARC						
2. Declarations of Interest	Chairman of AARC						
3. Petitions and Requests to Address the Meeting	Chairman of AARC						
4. Urgent Business	Chairman of AARC						
5. Minutes of the previous meeting	Chairman of AARC						
Training Session	Chairman of AARC and Head of Finance & Procurement	●		●			
Review of Work Programme	Chairman of AARC and Head of Finance & Procurement						
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						
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		✓				
Assurance on Major Planning Applications	Head of Public Protection and Development Management				✓		
Planned Improvements to the Ledger	Head of Finance & Procurement					✓	
Management of Purchase Orders	Head of Finance & Procurement					✓	

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