

# Public Document Pack



**Committee:** Accounts, Audit and Risk Committee  
**Date:** Wednesday 23 March 2016  
**Time:** 6.30 pm  
**Venue:** Bodicote House, Bodicote, Banbury, OX15 4AA

## Membership

<b>Councillor Mike Kerford-Byrnes (Chairman)</b>	<b>Councillor Rose Stratford (Vice-Chairman)</b>
<b>Councillor Andrew Beere</b>	<b>Councillor Colin Clarke</b>
<b>Councillor Ray Jelf</b>	<b>Councillor Nicholas Mawer</b>
<b>Councillor Barry Richards</b>	<b>Councillor Lawrie Stratford</b>

## AGENDA

1. **Apologies for Absence and Notification of Substitute Members**
2. **Declarations of Interest**

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

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

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

4. **Urgent Business**

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

5. **Minutes** (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 20 January 2016.

## 6. **Chairman's Announcements**

To receive communications from the Chairman.

## 7. **External Audit: Certification of Claims 2014/15 and Annual Audit Plan 2015/16** (Pages 7 - 38)

Report of the Head of Finance and Procurement

### **Purpose of report**

To receive Ernst Young's report setting out external audit's Annual Audit Plan for the financial year 2015/16.

### **Recommendations**

The meeting is recommended:

- 1.1 To note the contents of Ernst Young reports on the Annual Audit Plan 2015/16 and Certification of Claims 2014/15.

## 8. **Third Quarter Risk Review 2015-16 and update on Development of Risk & Opportunities Management Strategy** (Pages 39 - 56)

Report of Head of Transformation

### **Purpose of report**

To update the Committee on the management of Strategic, Corporate and Partnership risks during the third quarter of 2015/16 and to report the progress made on the 2015/16 Risk & Opportunities Management Strategy review and Risk Training programme.

### **Recommendations**

The meeting is recommended:

- 1.1 To review the quarter three Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration or referral to Executive.
- 1.2 To note that there have been changes to four common risks' scores: two increases and two decreases.
- 1.3 To note the progress made on the 2015/16 Risk and Opportunities Management Strategy review and the Risk Training programme.

**9. Corporate Fraud Team Update (Pages 57 - 82)**

Report of Head of Finance and Procurement

**Purpose of report**

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team and to ask members to consider and endorse the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies which have been reviewed and to consider and endorse the new Fraud Response Plan Policy.

**Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the report.
- 1.2 To consider and endorse the policy changes and the new policy.

**10. Internal Audit Progress Report 2015/16, Annual Plan 2016/17 and Internal Audit Charter (Pages 83 - 120)**

Report of the Head of Finance and Procurement

**Purpose of report**

To receive PwC's progress report summarising their internal audit work to date, the Draft Internal Audit Plan for next year and the draft Internal Audit Charter.

**Recommendations**

The meeting is recommended:

- 1.1 To note the 2015/16 progress report.
- 1.2 To note the 2016/17 Draft Internal Audit Plan.
- 1.3 To note the Internal Audit Charter.

**11. Closedown Update 2015/16 (Pages 121 - 126)**

Report of the Head of Finance and Procurement

**Purpose of report**

The purpose of this report is to inform members of the progress which has been made towards the preparation of the Council's annual Statement of Accounts and to review the proposed summary timetable for production.

**Recommendations**

The meeting is recommended:

1.1 To approve the summary closedown timetable as set out in the Appendix.

**12. Q3 Treasury Management Report (Pages 127 - 132)**

Report of the Head of Finance and Procurement

**Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy for 2015/16 for Quarter 3 as required by the Treasury Management Code of Practice.

**Recommendations**

The meeting is recommended:

1.1 To note the contents of the Quarter 3 (Q3) Treasury Management Report.

**13. Review of Work Programme 2016/17 (Pages 133 - 134)**

To note the work programme 2016/17.

**14. Exclusion of the Press and Public**

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

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

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

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

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

15. **Q3 Treasury Management Report - Exempt Appendix** (Pages 135 - 136)

16. **Finance Improvement Plan**

\*\* Please note that this report will follow as it is currently being reviewed and finalised \*\*

Exempt Report of Head of Finance and Procurement

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

## **Information about this Meeting**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwellandsouthnorthants.gov.uk](mailto:democracy@cherwellandsouthnorthants.gov.uk) or 01295 221554 prior to the start of the meeting.

### **Declarations of Interest**

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

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

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

### **Evacuation Procedure**

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

### **Access to Meetings**

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

### **Mobile Phones**

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

## **Queries Regarding this Agenda**

Please contact Sharon Hickson, Democratic and Elections  
sharon.hickson@cherwellandsouthnorthants.gov.uk, 01295 22155421

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

Published on Tuesday 15 March 2016

# Agenda Item 5

## 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 20 January 2016 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)

Councillor Andrew Beere  
Councillor Ray Jelf  
Councillor Barry Richards

Substitute Members: Councillor Ken Atack (In place of Councillor Colin Clarke)  
Councillor Tony Ilott (In place of Councillor Lawrie Stratford)  
Councillor Lynn Pratt (In place of Councillor Nicholas Mawer)  
Councillor Barry Wood (In place of Councillor Rose Stratford)

Also Present: Councillor Sean Woodcock, Leader of the Labour Group  
Neil Harris, External Audit, Ernst Young, for agenda item 7  
Ed Cooke, Internal Audit, PwC, for agenda item 8  
John Cornett, Director, KPMG, for agenda item 13

Apologies for absence: Councillor Rose Stratford  
Councillor Colin Clarke  
Councillor Nicholas Mawer  
Councillor Lawrie Stratford

Officers: Sue Smith, Chief Executive  
Paul Sutton, Head of Finance and Procurement  
Chris Dickens, Chief Internal Auditor  
James Doble, Democratic and Elections Manager  
Belinda Green, Benefits Manager, for agenda item 9  
Natasha Clark, Team Leader, Democratic and Elections

#### 51 **Declarations of Interest**

##### **10. Draft Treasury Management Strategy 2016/17.**

Sue Smith, Declaration, as a Director of Graven Hill Village Holdings Limited and Graven Hill Village Development Company Limited.

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

The Chairman advised the Committee that the Council's Monitoring Officer, Kevin Lane, had requested to address the Committee on agenda item 13, Review by KPMG of NNDR Overpayment.

53 **Urgent Business**

There were no items of urgent business.

54 **Minutes**

The minutes of the meeting of the Committee held on 2 December 2015 were agreed as a correct record, subject to the following amendment:

Officers in attendance: Delete Chris Dickens and replace with Ed Cooke

The minutes of the Special Meeting held on 15 December 2015 were agreed as a correct record and signed by the Chairman.

55 **Chairman's Announcements**

The Chairman made the following announcements

1. The filming and broadcasting of the meeting was permitted, subject to the efficient running of the meeting not being affected.

56 **External Audit Verbal update**

Neil Harris Executive Director, Government & Public Sector, UK&I Assurance, Ernst Young and Engagement Partner to Cherwell District Council, introduced himself to the Committee and advised that he was replacing Mick West, who had now retired.

The Committee was informed that the Head of Finance and Procurement and Ernst Young would be meeting to prepare the Annual Audit Plan for presentation to the Council at the next meeting date.

**Resolved**

- (1) That the verbal update be noted.

57 **Internal Audit Progress Report**

The Committee considered a report of the Head of Finance & Procurement which presented the PwC Internal Audit Progress Report which summarised their internal audit work to date.

**Resolved**

- (1) That the internal audit progress report be noted.



58 **Corporate Fraud Quarterly Update**

The Committee considered a report of the Head of Finance and Procurement which provided an update on the joint Corporate Fraud team including progress made on the team's business plan for 2015-2016.

In introducing the report, the Welfare and Debt Advice Manager advised the Committee that an experienced temporary Senior Investigator had been recruited to provide maternity leave cover for the Senior Corporate Fraud Investigator and would attend the next meeting to meet Members.

The Welfare and Debt Advice Manager advised the Committee that a review of all the policies underpinning the work of the Corporate Fraud Team was underway. The Counter Fraud Policy, Anti-Fraud and Corruption Strategy, Prosecutions and Sanctions Policy and Whistleblowing Policy had been reviewed. The remainder of the policies would be reviewed in quarter four and submitted to the Committee's March meeting.

**Resolved**

- (1) That the corporate fraud quarterly update report be noted.

59 **Draft Treasury Management Strategy 2016/17**

The Head of Finance and Procurement submitted a report which sought consideration of the draft Treasury Management Strategy Statement for 2016/17. The Strategy would be submitted to Full Council on 22 February 2016 for consideration alongside the 2016/17 budget.

**Resolved**

- (1) That the draft Treasury Management Strategy 2016/17 be noted.

60 **Review of Work Programme 2015-16**

The Committee considered its Work Programme 2015-16.

**Resolved**

- (1) That the work programme be noted.

61 **Exclusion of the Press and Public**

**Resolved**

That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Schedule 12A of that Act.

(With the exception of the Chief Executive, the Head of Finance and Procurement, the Democratic and Elections Manager and the Democratic and Elections Team Leader, all officers and the Internal and External Auditors left the meeting)

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### **Review by KPMG of NNDR Overpayment**

The Chief Executive submitted an exempt report to enable Members to consider the final proposed report from KPMG in light of the submissions received since the last meeting and to agree the management response to the report setting out a proposed course of action in light of the conclusions and recommendations.

The Chief Executive introduced John Cornett, Director, KPMG, who had led the independent review into the NNDR overpayment.

The Head of Finance and Procurement gave an update on the current position with regards to the council's discussions with the Department for Communities and Local Government (DCLG) regarding the claim.

The Deputy Monitoring Officer advised Members that a meeting of the Account, Audit and Risk Committee would be arranged to make any decision.

Members asked a number of questions regarding the claim, to which the Head of Finance and Procurement duly responded.

The Head of Finance and Procurement then left the meeting.

In presenting the final report of KPMG of the NNDR Overpayment, John Cornett (KPMG) advised Members that after the special meeting of the Committee on 15 December 2015, the report had been circulated to relevant officers and stakeholders. Relevant comments from officers had been included in the final report before the Committee. Additionally, a discussion had been held with External Audit and their comments would be added to the report. Mr Cornett confirmed that whilst changes had been made to the report, the comments had provided clarity and there had been no change to the conclusions of the report and only one minor change to one of the recommendations.

With regards to the management response, Mr Cornett advised the Committee that it was a strong and robust response which demonstrated that the matter was being taken very seriously by the council. There were clear actions with an effective means of monitoring.

The Monitoring Officer joined the meeting and addressed the Committee, after which he left the meeting.

The Chief Executive assured the Committee that all actions set out in the management response would be completed. The Chief Executive also provided the Committee with an update on meetings she had held with various parties regarding the matter.

In considering the report, it was expressed by some members that the incident had given them cause for concern and adversely affected their confidence. The Committee agreed that Chief Executive should be requested to reflect on the comments of the Accounts, Audit and Risk Committee and discuss any future action with the Leader.

**Resolved**

- (1) That the amended final proposed report from KPMG be noted.
- (2) That the representations received from the Monitoring Officer, Section 151 Officer and those who were interviewed and the External Auditor (EY) as reported by the Chief Executive and KPMG be noted.
- (3) That the final report be adopted and authority for the final detailed wording of the report be delegated to the Chief Executive, in consultation with the Chairman of the Accounts, Audit & Risk Committee, Councillor Richards and Councillor Wood.
- (4) That the proposed management response to the report be endorsed and adopted.
- (5) That the Chief Executive be requested to circulate the full final report and agreed management response to all those that were interviewed, External Auditor (EY) and Internal Auditor (PWC) on a confidential basis and to take action as appropriate to implement the management response.
- (6) That monitoring of the implementation of the Finance action and improvement plan arising from the report as set out in the management response be added to the committee work programme.
- (7) That the Chief Executive be requested to reflect on the comments of the Accounts, Audit and Risk Committee and discuss any future action with the Leader.
- (8) That the Chief Executive be authorised to release the KPMG report, on a confidential basis, to the South Northamptonshire Council Leader and Audit Committee.

The meeting ended at 9.06 pm

Chairman:

Date:

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## Cherwell District Council

### Accounts Audit and Risk Committee

23 March 2016

<p><b>External Audit: Certification of Claims 2014/15 and Annual Audit Plan 2015/16</b></p>
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### Report of the Head of Finance and Procurement

This report is public

#### Purpose of report

To receive Ernst Young's report setting out external audit's Annual Audit Plan for the financial year 2015/16.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of Ernst Young reports on the Annual Audit Plan 2015/16 and Certification of Claims 2014/15.

#### 2.0 Introduction

- 2.1 Attached at Appendix 1 is the Annual Audit Plan outlining the external auditor's proposed audit work for 2015/16.
- 2.2 Ernst Young's will provide a verbal update on progress at the meeting.
- 2.3 Attached at Appendix 2 is the Annual report on the Certification of Claims for 2014/15.

#### 3.0 Report Details

- 3.1 External Audit undertakes its work in line with the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice. The Audit Plan sets out the work that will be delivered during the year.
- 3.2 The Annual Report (appendix 2) summarises the work that external audit undertake on the Council's housing benefit subsidy claim, total value £38.1m. Audit testing

identified errors, which the Council amended, that resulted in the incorrect classification of £31k (less than 0.1%) in grant.

#### **4.0 Conclusion and Reasons for Recommendations**

4.1 The Annual Audit Plan sets out the proposed work that External Audit will undertake for 2015/16.

#### **5.0 Consultation**

None

#### **6.0 Alternative Options and Reasons for Rejection**

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

Option 1: To request further information from the External Auditor.

#### **7.0 Implications**

##### **Financial and Resource Implications**

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

George Hill, Corporate Finance Manager, 01295 221731

[george.hill@cherwellandsouthnorthants.gov.uk](mailto:george.hill@cherwellandsouthnorthants.gov.uk)

##### **Legal Implications**

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

Comments checked by:

Kevin Lane, Head of Law & Governance 0300 0030107

[Kevin.Lane@cherwellandsouthnorthants.gov.uk](mailto:Kevin.Lane@cherwellandsouthnorthants.gov.uk)

##### **Risk Management Implications**

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

Comments checked by:

Louise Tustian, Senior Performance and Improvement Officer, 01295 221786

[louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

## Equality and Diversity

7.4 There are no equality and diversity issues arising directly from this report

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

### Wards Affected –

All wards are affected

### Links to Corporate Plan and Policy Framework –

All corporate plan themes.

### Lead Councillor –

None

## Document Information

Appendix No	Title
Appendix 1	Audit Plan 2015/16
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	<a href="mailto:Paul.Sutton@Cherwellandsouthnorthants.gov.uk">Paul.Sutton@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

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# **Cherwell District Council**

Year ending 31 March 2016

Audit Plan

2 March 2016

Ernst & Young LLP



The Members of the Accounts, Audit and Risk Committee  
Cherwell District Council  
Bodicote House  
Bodicote  
Banbury  
OX15 4AA

2 March 2016

Dear Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Accounts, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. For both the accounts audit and especially the VFM audit these are our initial thoughts and we will update the Accounts, Audit and Risk Committee at a subsequent meeting if we make any changes.

We welcome the opportunity to discuss this Audit Plan with you on 23 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris  
*For and behalf of Ernst & Young LLP*  
*Enc*

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psaa.co.uk\)](http://www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Cherwell District Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ Reviewing accounting estimates for evidence of management bias, and</li> <li>▶ Evaluating the business rationale for significant unusual transactions</li> </ul>
<b>Other financial statement risks</b>	
<b>National Non Domestic Rate (NDR) Debtor</b>	
<p>Our audit of the 2014/15 accounts identified a £1.5m debtor with the Department of Communities and Local Government (DCLG). The debtor related to an overpayment into the business rate national pool in 2011/12. In our 2014/15 audit, the Council were able to provide evidence to support the accounting treatment for the debtor, steps being taken to recover this from DCLG and a rationale that set out that any prospect of non-recovery of the debt would not be material.</p> <p>Since the Council has pursued recovery from DCLG, DCLG has indicated that it does not intend to pay the £1.5million. The Council are currently reviewing their position and seeking legal advice, through Counsel, on the actions it proposes to take. The recoverability of the debtor and accounting treatment will have implications for the 2015/16 accounts which we will need to review.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the Council's proposed accounting treatment of the debtor in the 2015/16 accounts</li> <li>▶ Considering the assumptions made by the Council as to the likely recoverability of the debtor.</li> <li>▶ Obtaining our own advice as appropriate.</li> </ul>
<b>Group accounts</b>	
<p>In 2014/15 the Council was required to prepare group accounts for the first time. The Council has two companies in the group, Graven Hill Village Holdings Ltd and Graven Hill Village Development Company. Their purpose is to deliver a self-build housing project at Graven Hill Bicester.</p> <p>In 2014/15 transactions were limited to acquisition costs and other incidental expenditure. We will assess the value of transactions in 2015/16 and determine the appropriate work required but we anticipate that both companies will be more significant components of the Council's group financial statements.</p> <p>The cost of the additional work is not covered by the PSAA scale fee. We estimate that a scale fee variation of a similar value to 2014/15 will be required in 2015/16. An estimate of £5,300 has therefore been included in the planned fee for 2015/16. The final amount will depend on the value of transactions for the year</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Developing appropriate audit procedures to enable us to firm an opinion on the group accounts. This will include an assessment of the inherent risk of the subsidiary, the nature, volume and value of transactions and the work of the company's accountant and auditor.</li> </ul>

## 2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

### 3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015-16 this is based on the overall evaluation criterion:

*"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the taxpayers, the Government and other stakeholders. This has not identified any risks which we view as significant. However, we have identified the following other VFM risks which we view as relevant to our value for money conclusion.

The Council is committed to achieving further efficiency savings through new ways of working and in partnership. We are aware that this Council, together with Oxfordshire's other three district councils and Oxford City Council, have put forward a proposal to establish four new 'unitary' councils to replace Oxfordshire County Council. The proposed new unitary councils would also include South Northamptonshire Council and Cotswold District Council, which has partnerships with West Oxfordshire District. We will keep a watching brief on the progress of this proposal and consider the implications this has on our current and future work to assess the Council's value for money arrangements.

**Other value for money risks**

**Our audit approach**

**Financial resilience**

The Council has responded well to the financial pressures arising from the recent economic downturn, and reductions in the level of central government funding to local government.

The Council also holds a good level of reserves and balances.

As recognised in the latest Medium Term Revenue Plan (MTRP) future budgets will remain under significant pressure. The latest MTRP reported balanced budgets for 2015/6 and 2016/17 but identified a funding gap of £0.6m in 2017/18, increasing to a cumulative total of £9.6m for the period to 2020/21.

The Council is committed to achieving further efficiencies and plans to do this by looking at new ways of delivering its services. As business cases for the Council's "transformation work streams" are developed and approved they will be incorporated in to the MTRP.

Our approach will focus on:

- ▶ The adequacy of the Council's budget setting process.
- ▶ Review of the Council's Medium Term Revenue Plan.
- ▶ The robustness of any budget assumptions and governance.
- ▶ The effective use of scenario planning to assist the budget setting process.
- ▶ The effectiveness of in year monitoring against the budget.
- ▶ The Council's approach to prioritising resources.
- ▶ Delivery of efficiency or savings programmes.



## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;
- 2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

### 4.2 Audit process overview

We plan to take a substantive approach to gaining assurance over the amounts reported in the Council's financial statements.

#### **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Accounts, Audit and Risk Committee.

#### **Internal audit**

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Actuary

In accordance with Auditing Standards, we will evaluate the specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Councils environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

## 4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

### Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

## 4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council, is £1,614k based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £81k to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

## 4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Cherwell District Council is £52,127.

Any variation to this fee will need to be approved by PSAA Ltd. As noted in section 2 of this document the cost of the additional work on group accounts is not covered by the PSAA scale fee and will be subject to a scale fee variation (SFV) in 2015-16. The final amount of the SFV will depend on the value of group transactions for the year.

## 4.6 Your audit team

The engagement team is led by Neil Harris, who has significant experience of Local Government external audit. Neil Harris is supported by Cathy O'Carroll who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's Finance team.

## 4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council, through the Accounts, Audit and Risk Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Accounts, Audit and Risk Committee and we will discuss them with the Chairman as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Accounts Audit and Risk Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>January 2016</b>	<b>23 March 2016</b>	Audit Fee Letter Certification Report
Risk assessment and setting of scopes	<b>February 2016</b>	<b>23 March 2016</b>	Audit Plan
Testing routine processes and controls	<b>March 2016</b>	<b>22 June 2016</b>	Progress Report (We will provide a Progress Report by exception if there are any matters arising from our interim work. Should there be no or limited matters arising, we will not provide a Progress Report to this committee.
Completion of audit	<b>September 2016</b>	<b>21 September 2016</b>	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October 2016</b>	<b>30 November 2016</b>	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

At the time of writing, we have not provided any non-audit services to the Council, and therefore no additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

#### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

#### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

#### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, the audit engagement Director and the audit engagement team have not been compromised.

### **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	57,427	52,127	74,768	The 2014/15 fee includes a scale fee variation of £5,265 for additional work on group accounts.  We anticipate that a scale fee variation of a similar value will be required in 2015/16. An estimate of £5,300 has therefore been included in the planned fee for 2015/16. The final amount will depend on the value of transactions for the year.
<b>Total Audit Fee – Code work</b>	<b>57,427</b>	<b>52,127</b>	<b>74,768</b>	
Elector's questions			1,263	
Certification of claims and returns <sup>1</sup>	8,844	8,844	16,660	The 2015/16 certification fee is set by the PSAA and based on the certification work carried out in 2013/14.

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance. It will also need to be approved by PSAA Ltd.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

<sup>1</sup> Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Accounts, Audit and Risk Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Accounts, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Risk Committee may be aware of</li> </ul>	▶ Report to those charged with governance



Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

## Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ **Full scope:** locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ **Specific scope:** locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.
- ▶ **Limited Scope:** limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.
- ▶ **Other procedures:** For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Our audit approach is risk-based. Our current assessment is that Graven Hill Village Holding Limited and its subsidiary Graven Hill Village Development Limited will require limited scope procedures.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. Our involvement can be summarised as follows:

- ▶ For both Graven Hill Village Holding Limited and its subsidiary Graven Hill Village Development Limited we expect to review the final audited financial statements and the auditor's report on the results of their audit when performing our tests of consolidation and analytical review of the amounts feeding in to the group statements.

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# Certification of claims and returns annual report 2014-15

Cherwell District Council

January 2016

Ernst & Young LLP



Building a better  
working world

The Members of the Accounts, Audit and Risk Committee  
Cherwell District Council  
Bodicote House  
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Banbury  
OX15 4AA

11 January 2016

Ref:

Direct line: +44 20 7951 2000

Email: [NHarris2@uk.ey.com](mailto:NHarris2@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2014-15 Cherwell District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Cherwell District Council's 2014-15 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

### **Summary**

Section 1 of our report outlines the results of our 2014-15 housing benefit subsidy claim certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £38m. We met the submission deadline of 30<sup>th</sup> November 2015 and issued a qualification letter – details of the qualification matters are included in Section 1.



Fees for certification work are summarised in Section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website ([www.psaa.co.uk](http://www.psaa.co.uk))

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee.

Yours faithfully

**Neil Harris**  
Director  
Ernst & Young LLP  
Enc

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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,108,411
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2014-15	£16,660
Fee – 2013-14	£11,792

  

Recommendations from 2013-14	Findings in 2014-15
None	None

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found one error in respect of overpayment classification, and carried out extended testing in this area, and in respect of backdates arising from an error identified in the prior year claim. The results are as follows:

Cell 114 – Eligible overpayments (current year) Cell value £714,654	Overpayment incorrectly classified	Extrapolated error – Cell overstated by £25,728
Cell 131 – Rent Allowances backdates Cell value £76,419	Backdated benefit incorrectly awarded	Extrapolated error – Cell overstated by £5,349

We are required to report the nature of the errors found and extrapolate the value across the cell population. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

## 2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,792	16,660	16,660

## Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £8,844. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Resources before seeking any such variation.

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## Cherwell District Council

### Accounts, Audit and Risk Committee

23 March 2016

<p><b>Third Quarter Risk Review 2015-16 and update on Development of Risk &amp; Opportunities Management Strategy</b></p>
---

### Report of Head of Transformation

This report is public

#### Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the third quarter of 2015/16 and to report the progress made on the 2015/16 Risk & Opportunities Management Strategy review and Risk Training programme.

#### 1.0 Recommendations

The meeting is recommended to:

- 1.1 review the quarter three Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration or referral to Executive.
- 1.2 note that there have been changes to four common risks' scores; two increases and two decreases.
- 1.3 note the progress made on the 2015/16 Risk and Opportunities Management Strategy review and the Risk Training programme.

#### 2.0 Introduction

- 2.1 The Council details its approach to managing risk in its Risk and Opportunities Management Strategy and sets out the framework for managing risks of all types.
- 2.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and Joint Management Team (JMT). This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year. A formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities.

## 3.0 Report Details

### 3.1 **Underlying Principles:** the following principles continue to be used for the management of risk

Core Risks: these are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

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

Types of Risk: the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core strategic risk register whilst operational risks are managed at the service and directorate level. Our definitions are as follows:

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

### 3.2 **The Councils' Risk and Opportunities Management Strategy** was fully reviewed and redeveloped during 2011/12 to take into account the new joint management arrangements within Cherwell District Council and South Northamptonshire Council. This strategy ensures that the joint management team use a single approach to risk management. Risks are clearly identified as Cherwell, South Northants, shared, or 3 Way (to reflect current shared working with Stratford District Council) and managed to reflect this status.

### 3.3 This Strategy is currently being updated to take into account feedback from the Council's Auditors, Price Waterhouse Cooper and will be presented with 2016/17 Q1 report.

### 3.4 **Risk Register 2015/16:** As part of the business planning process, all strategic, corporate and partnerships were reviewed and updated by JMT to ensure its contents reflect current priorities and circumstances. The register contains 14 risks specific to CDC and 18 risks which are common to both.

3.5 **Third Quarter Risk Review** and associated heat maps are attached as appendix 1 and 2 respectively. The register has been reviewed by the risk owners and members of JMT and each risk has commentary included.

3.6 The following table summarises changes to Cherwell District Council's risks and also risks common to both Authorities during the quarter:-

Risk Type/Ref	Risk Name	Comments/Actions
Strategic S16	Joint Working 2 and 3 way (Common)	<p>↑ <b>Increase in Residual probability score (3 to 5)</b>            Although controls and actions are in place and working effectively, the risk rating has increased to reflect:-</p> <ul style="list-style-type: none"> <li>• Stratford District Council's decision not progress the three way partnership</li> <li>• Two way programme will result in less savings than three way programme</li> <li>• Uncertainty for ICT and Legal services</li> </ul> <p>Two way governance and progress is in place and on track so risks to the delivery of the two way programme are low and limited to where we interface with SDC, i.e. on legal and ICT services. Reviews are on-going and will be completed by February 2016 to ensure business as usual is maintained.</p>
Corporate C13	Emergency Planning (Common)	<p>↑ <b>Increase in Residual probability score (2 to 3)</b>            Due to uncertainty following Northamptonshire County Council's withdrawal of Emergency Planning services, residual score has increased. Actions to mitigate this risk are being reviewed and will be reported in Q4.</p>
Corporate C14	Safeguarding (Common)	<p>↓ <b>Decrease in Residual probability score (3 to 2)</b>            Following implementation of recommendations from the Internal Review of Safeguarding, scores for both risks have been decreased this quarter.</p>
Corporate C15	Safeguarding Children (Common)	<p>"See it Report it" is set to go live at SNC in February 2016.</p> <p>↓ <b>Decrease in Residual probability score (2 to 1)</b></p>

3.7 **Operational risks** are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level and are identified through the development of service plans and project risk logs. An operational risk review is currently underway aligned with the Service Planning process. A full operational risk register will be reported to the Committee with Q4/year-end report.

3.8 Issues arising from operational or project risks may be escalated via the performance and risk reports to JMT. In the event of this occurring they would also be reported to the Accounts Audit and Risk Committee in their quarterly reports.

3.9 **Risk Training** for staff with responsibility for Strategic, Operational and/or Project Risks, will be delivered by Price Waterhouse Cooper on 14/15 April 2016. In addition, a Risk Computer Based Training (CBT) module is to be developed providing on-going risk training for new employees and refresher training. This training will be linked to the Induction process.

## **4.0 Conclusion and Reasons for Recommendations**

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

Option 1 To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

Option 2 To reject the current approach and proposals and report any concerns arising to the Executive.

## **5.0 Consultation**

5.1 Both CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted on the development of the Risk Strategy

## **6.0 Alternative Options and Reasons for Rejection**

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

Option 1: To reject the current approach and proposals and recommend an alternative approach to risk management. This option is not recommended as it departs from the Council's stated approach to risk management as set out in its Risk and Opportunities Management Strategy.

## **7.0 Implications**

### **Financial and Resource Implications**

7.1 There are no specific financial implications arising from this report.

Comments checked by:

Paul Sutton, Head of Finance and Procurement

Tel: 0300 0030 106 E-mail: [Paul.Sutton@cherwellandsouthnorthants.gov.uk](mailto:Paul.Sutton@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

7.2 There are no specific legal implications arising from this report,



Comments checked by:  
Kevin Lane, Head of Law and Governance,  
Tel: 0300 0030 107 Email: [kevin.lane@cherwellandsouthnorthants.gov.uk](mailto:kevin.lane@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

All strategic priorities

### Lead Councillor

Councillor Barry Wood  
Leader of the Council

### Document Information

Appendix No	Title
Appendix 1	Quarter 3 2015/16 Risk Register
Appendix 2	Quarter 3 2015/16 Heat Map
Background Papers	
None	
Report Author	Louise Tustian, Senior Performance & Improvement Officer
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Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
S01	01/04/2013	Common	Kevin Lane		Resources	Policy and legislative change	The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge	Political / Social / Economic	4	5	20	Executive and Cabinet Away Days in October to brief members on new policy and legislative changes and their impact on Business Planning		JMT forward plan, Executive and Cabinet Forward plans, Scrutiny Committees. Business and Service Planning. Business Planning meetings to brief Executive and Cabinet. Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly including lead members/portfolio holders in one to one's with JMT members. JMT undertake policy oversight role. Quarterly Health & Safety reporting.	3	4	12		No legal challenge has been made to any decision by either Council alleging misapplication of the law	Controls continue to mitigate successfully. For example the future removal of Revenue Support Grant (RSG) support announced in the Autumn statement was anticipated and planned for by both councils.	
Page 45	01/04/2013	Common	Martin Henry		Resources	Financial resilience	The impact of external financial shocks, new policy and increased service demand reduces the councils medium and long term financial viability	Political / Social / Economic	4	4	16	Medium Term Financial Strategy complete. 2016-17 budget broadly balanced at both authorities.		Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly Participate in Northamptonshire Finance Officers and Oxfordshire Treasurers' Association's work streams Programme management approach being taken	3	4	12	The recent provisional settlement notification and reform of NHB and the strategic agenda around income/commercialisation does not impact on the residual score at this stage.	Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees	Risk reviewed, no changes to scores or controls	
S03	01/04/2013	Common	Martin Henry		Resources	Capital Investment	Poor investment and asset management results in the councils not maximising financial return or losing income.	Political / Social / Economic	3	4	12			Treasury management policies in place Investment strategies in place Regular financial and performance monitoring in place Independent third party advisers in place and different ones used at each Council Regular bulletins and advice received from advisers Fund managers in place Property portfolio income monitored through financial management arrangements on a regular basis Experienced professionally qualified staff employed at both Councils. Asset Management review and conclusions expected to be reported at both Councils by the end of the year.	2	3	6	Member Group consideration of Asset Management, core assets and non-core, commences on 28 January 2016. A progress report will be presented at the next Executive meeting.	Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees	Risk reviewed, no changes to scores or controls	
S05	01/04/2013	SNC	Adrian Colwell		Development	SNC Managing Growth and capitalising on opportunities	Failure to capitalise on the growth agenda results in lost opportunities in terms of economic, community and infrastructure development and financial gains (e.g. business rates retention).  The ultimate impact is long term and impacts upon the strategic objectives of the council and quality of life for local residents and communities.	Political / Social / Economic	4	4	16	Joint Core Strategy approved at Joint Planning Committee Highways Agency commitment to upgrade road junction and support Towcester Relief Road All major sites have been consented. SNC discussing outcomes of Route Based Strategies with Highways England		Master planning process Core strategy Economic development strategy Inward investment plan	2	3	6		Planning Policy and Regeneration Strategy Committee	Issues and Options considered at Planning Policy Committee in January 2016; revisions required.	
S06	01/04/2013	SNC	Adrian Colwell		Development	HS2	Failure to engage on HS2 matters and failure to plan to mitigate potential impacts of HS2 result in:  A higher negative impact on the district in terms of environment, disruption and economy than would be the case if the best mitigation outcomes are achieved. Failure to be seen to be acting in the best interests of the district and attempting to influence decision making may also have an impact on the council's reputation.	Political / Social / Economic	5	5	25	Petition submitted to Parliament on 15 May 2014 Parliamentary Committee supported the SNC arguments regarding design in its March 2015 Report. Liaison with HS2 and community groups continues SNC in direct talks with Highways England on A43 implications		Member and Officer representation on the main 51M board Part of the Oxfordshire and Northants planning group (working with developers to manage the impact) Involvement with local community groups Working with local parish councils Member of HS2 Route Planning Forum	3	2	6		Cabinet and Planning Policy and Regeneration Strategy Committee	Officers continue to liaise with HS2 and Northampton County Council on transport matters.	

Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
S07	01/04/2013	Common	Ian Davies	Belinda Stanton	Community & Environment	Customer Service Improvement (including channel shift)	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	Customer Citizen / Service Delivery / Operational	4	3	12	Work has commenced to align the ICT Customer Relationship Management (CRM) across the two customer services teams which will enable harmonisation of process.  Staff Recruitment process undertaken with training of new staff almost complete.		CDC – customer service standards in place (e.g. voicemail) Web – both councils redesign undertaken and on-going development is undertaken – this includes online forms and payment Managers discuss service changes with customer services to mitigate any negative impact on customer service On-going review of the web (SNC you said we did page – noting actions taken from customer feedback) Customer communications in local / residents newsletters Customer complaints process JMT highlight service changes to customer service teams to ensure web/service team can deliver, project also part of the transformation programme with associated governance. Results of CDC Customer Satisfaction Survey presented to Executive October 2015 and was well received. The Key Services to be Maintained summary instrumental in Business and Service Planning processes. A similar Survey is being prepared for SNC and will go live June/July 2016.	3	3	9	Shared Customer Services team now received approval so currently being implemented. Heavy reliance on transfer of all first point of customer contact functions into the new shared team, new website design to enable channel shift by all services and implementation of end to end on line transactions by all services. These corporate requirements are part of the Transformation Programme, the reviewed ICT work programme and critical to deliver future savings plus the full benefit realisation of the customer services team.	Project governance, performance management reporting, customer insight reporting.	Risk Reviewed No changes to controls, actions or scores this quarter.	
S08	01/04/2013	SNC	Adrian Colwell		Development	Silverstone Masterplan	Failure to capitalise on the opportunities afforded to the district through the Silverstone development and failure to manage the risks associated with the programme result in:  • Failure to maximise long term economic benefit to the district • Negative impact on the A43 – (impact of transport risks) • Negative impact on council's reputation	Political / Social / Economic	4	4	16	Consideration of Local Development Order for whole development area with Aylesbury Vale District Council.  Liaison with MEPC & Silverstone Circuits continues.  MEPC are negotiating with landowners for utilities access		Planning negotiation processes (to cover transport delivery)  Section 106 process to cover economic gains  Strong working relationship with Silverstone	2	2	4	Expression of Interest lodged with Highways England	Silverstone Masterplan coordination group established.	Discussion has commenced with MEPC and Aylesbury Vale District Council on a revised site Masterplan.	
S09	01/04/2013	SNC	Adrian Colwell		Development	SNC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Local Plan Part 2 "Options" Plan in preparation.  Additional resource secured to complete the work.		Partnership working with the Joint Planning Unit will deliver some elements of the plan (this partnership is recorded on the risk register as a separate item) For issues which are solely within the control of SNC policies, plans and resources are in place. Work is well advanced on rural settlements, village confines draft planning guidance and development control policies are underway. A statement of community involvement is in place.	3	4	12		Cabinet and Planning Policy and Regeneration Strategy Committee	Local Development Scheme and Statement of Community Involvement (SCI) adopted in December 2015. Issues and Options to commence public consultation in February 2016.	
S10	01/04/2013	CDC	Ian Davies		Community & Environment	Deprivation and Health Inequalities (Brighter Futures)	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	Political / Social / Economic	3	4	12	Brighter Futures annual report for 2014/15 published.		Long term commitment to support local people and communities as many issues can only be addressed on this basis. Multi agency actions with clear and common objectives. Additional funding from Government grants to supplement current resources. Local Strategic Partnership focus on Brighter Futures in Banbury programme. Contingency fund made available in CDC budget. Programme co-ordination role in place. Quarterly performance management in place.	3	3	9	2015/16 Priorities established	Project governance Local Strategic Partnership (LSP) oversight, Quarterly reporting Annual Report	First health improvement and health inequalities workshop held on 9 December 2015.  Successful event involving many partners and a range of new multi agency activities.	
S11	01/04/2013	CDC	Adrian Colwell		Development	CDC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Local Plan adopted by Council on 20/7/2015		A Local Development Scheme is in place which details the timeframes and deliverables to underpin the work  Resources are in place to support delivery including QC support	3	4	12		Full Council	Community Infrastructure Levy being considered at Executive in February 2016. Issues consultations agreed at Executive in January 2016.	

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S12	01/04/2013	CDC	Karen Curtin		Bicester	North West Bicester (Eco-Town)	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	Political / Social / Economic	4	4	16	Planning policy development through Local Plan Eco-Town Project plan & related partnerships. Working with private & public sector partners.		Planning policy development through Local Plan Eco Town Project plan & related partnerships Working with private & public sector partners Programme Board in place Lead Member in place	3	3	9	Strategic Delivery Board meeting held in October to track progress. Main agenda item of the bimonthly OCC/CDC Bilateral meetings.	Programme Governance Performance Management	Significant work continuing with OCC on S106 legal agreement on application 1 14/01384/OUT which has a resolution to grant for Development comprising up to 2600 residential dwellings, commercial floor space, social and community facilities, land to accommodate one energy centre, land to accommodate one new primary school and land to accommodate the extension of the primary school permitted pursuant to application (reference 10/01780/HYBRID). Such development to include provision of strategic landscape, provision of new vehicular, cycle and pedestrian access routes, infrastructure, ancillary engineering and other operations.  A further application has received a resolution to grant - B14/01641/OUT Outline Application - to provide up to 900 residential dwellings, commercial floor space, leisure facilities, social and community facilities, land to accommodate one energy centre and land to accommodate one new primary school and secondary school. Such development to include provision of strategic landscape, provision of new vehicular, cycle and pedestrian access routes, infrastructure, ancillary engineering and other operations. 3 further applications are expected to be considered by the planning committee in Q4.	
S13	01/04/2013	CDC	Karen Curtin		Bicester	Bicester Town Centre Development	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	Political / Social / Economic	3	4	12	Project on time for Spring 2016 opening and within budget.		Project manager in lead role Project Board Legal agreements in place Joint venture with the developer (underpinned by legal agreements) Monthly performance / projects reports Resources and technical advice provided as part of the developer agreement	3	3	9		Project Governance	Regular Project Team and Board meetings tracking progress. Currently project is on track for practical completion in March 2016 and currently on budget	
S14	01/04/2014	CDC	Karen Curtin		Bicester	Graven Hill	Failure to deliver the project results in severe loss of economic benefit, local dissatisfaction and damage to reputation	Political / Social / Economic	3	4	12	All actions are on track and being monitored on a bi-weekly basis. Discharge of planning obligations and development of Local Development Order (LDO) underway		Project Manager Project Board Companies set up Business Plan and Finance Plan being monitored	3	3	9	The Council has adopted a Local Development Order (LDO) for 197 plots on phase 1. Managing Director appointed.	Project Governance	Work continues on pre-construction as planned. Discharge of planning obligations underway. Price Preview event held in November.  Managing Director appointed and commenced January 2016.  Given that the project is still in its infancy and even though we have additional governance in place through company three risk rating remains unchanged.	
S15	01/04/2013	CDC	Ian Davies		Community & Environment	Horton Hospital	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	Political / Social / Economic	4	4	16	Regular engagement with Oxford University Hospitals Trust (OUHT) via the Community Partnership Network (CPN). Quarterly meetings and engagement in service change processes. Revised terms of reference of the CPN agreed and to commence in 14/15		Support to the OUHT and emerging GP commissioning structure to maintain services Providing evidence of deliverability of consultant delivered services elsewhere Gaining consensus locally that this is important Ensuring local councillors are briefed and engaged to play a community leadership role Continuing to support a local stakeholder group (CPN) with OUHT, GP and OCC representation to hold service commissioners and providers to account and to communicate the health sector changes to the wider population.	3	3	9		LSP oversight and annual report to Executive	Foundation Trust status now in place providing greater public engagement opportunities. Changes to wards and services underway to address the long term delayed transfers of care problem out of hospital and into the community - major multi agency effort.	

Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
S16	01/01/2014	3Way	Sue Smith	Claire Taylor	Resources	Joint Working 2-Way 3-Way	Failure to deliver against the Transformation Programme could result in failure to deliver the savings required in the medium term revenue plans. It will also have a detrimental impact on the councils' reputations and a failure to deliver against the Transformation Challenge Award (TCA) bid.	Resource / Financial / Human	4	4	16	Reviews are taking place to ensure three way services have effective governance and operational arrangements in the light of Stratford District Council (SDC) deciding not to progress with the confederation approach.		Programme Plan Monthly programme updates (to Member working group Transformation Joint Working Group) CEOs to sponsor key elements of the work programme Officer steering group Business case process, joint organisational change policy in place Enhanced Member Engagement Processes	5	3	15		Audit JASG (Joint Arrangements Steering Group – Member led) Legal advice (external) covering governance proposals Overview and scrutiny MO and S151 sign off of business cases From Q1 2015 Joint Commissioning Committee enhances formal governance	Risk reviewed and although controls and actions are in place and working effectively, the residual risk probability rating has increased from 3 to 5 to reflect- • Stratford District Council's decision not progress the three way partnership • Two way programme will result in less savings than three way programme • Uncertainty for ICT and Legal services as transition arrangements take place.  Two way governance and progress is in place and on track so risks to the delivery of the two way programme are low and limited to where we interface with SDC, i.e. on legal and ICT services. Reviews are on-going and will be completed by February 2016 to ensure business as usual is maintained.	
S17	01/04/2014	CDC	Chris Stratford	Azza Rahman	Development	Build! @ Development Programme	Failure to deliver the Build! Programme resulting in financial loss, loss of economic benefit, local dissatisfaction and damage to the Council's reputation.	Political / Social / Economic	3	5	15	Updated milestones have been agreed with the Homes & Communities Agency (HCA) to mitigate any loss of grant.  Build! @ update to Executive Business Planning Meeting on 20/10/2015		<ul style="list-style-type: none"> <li>• Delivery Manager and Project Board</li> <li>• Legal Agreements in place for land acquisitions and contracts with consultants and contractors</li> <li>• Monthly project/performance reports</li> <li>• Business Plan and Financial Plan monitoring</li> <li>• Professional Construction Management</li> <li>• Effective Communications Management</li> <li>• Catastrophic would be a serious (fatal) health and safety incident which is always possible in a construction project but mitigated by sound Health &amp; Safety procedures and Construction, Design &amp; Management measures.</li> <li>• Financial risks are major given the level of investment but mitigated by budget management and professional construction management</li> <li>• Overall reputational risk is major given the profile of this project locally and nationally but managed by communications and strong project management.</li> </ul>	3	4	12	Succession planning for site management and quality control is currently being put in place.	<ul style="list-style-type: none"> <li>• Programme Governance</li> <li>• Information Management System (IMS) with the HCA</li> <li>• HCA Programme Audit (annually)</li> <li>• HCA Design and Quality Audit</li> <li>• Considerate constructor scheme</li> <li>• Fortnightly Project Boards; weekly project reviews</li> </ul>	Project Delivery process improved with measures for project management accountability, financial probity and value for money being made a priority in the delivery programme.	
	01/10/2014	CDC	Calvin Bell		Development	Banbury Development	The sites are complex and in multiple ownership. There are conflicting development pressures and challenges with site viability	Resource / Financial / Human	4	4	16	Effective project Board chaired by the Portfolio Holder and consisting of appropriate Leading Members and senior officers  Review of Council owned car parks and associated sites within the Town commissioned  Adopted Local Plan		Regular meetings of the Project Board  Adopted Asset management Strategy and review of Council car park sites  Interdependencies map produced showing progress on all major development sites in Banbury  Adopted local Plan leading to Completion of Banbury Masterplan and Canalside Supplementary Planning Document (SPD)  Soft Market testing of sites to be concluded in February 2016	3	4	12	First phase report for the review of council owned sites completed.  Second phase including soft market testing of the sites chosen has been commissioned and an interim report was presented to Banbury Developments Board in December. The final report is scheduled for the Board meeting early February.  Key sites being tested for viability.	Regular risk monitoring and review discussions by the project board	Risk reviewed - risk description updated No change to risk scores	

Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
S19	01/10/2014	CDC	Chris Stratford		Bicester	Asset Management	Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.	Resource / Financial / Human	4	4	16	Resource Plan update taken to Executive in September 2015. Work being monitored through the Banbury Developments Board and Accommodation Asset Strategy Board.		In 2015/16 to agree and implement 1) Asset Strategy Resource Plan 2) Operational Offices Plan 3) Car Parks Plan 4) Community Buildings Plan 5) Local Centres Plan  Future Controls:- In 2016/17 to agree and implement 1) Data and Systems Plan 2) Operational Depot Plan 3) Leisure Buildings Plan 4) Commercial Investment Plan	2	4	8	Member Group consideration of Asset Management, core assets and non-core, commenced 28 January 2016.	At the current time an Accommodation Asset Strategy Board provides a forum for debate and discussion about property matters. The Board comprises the Lead Members for Finance and Estates/Economy. The officer support is made up of representatives of Estates, Regeneration, Housing, Finance, and Bicester. The role and responsibilities of the Board will be clarified having regard to the actions and priorities arising out of the Asset Strategy.	The Asset Management Member Group (AMMG) for CDC met for the first time to consider the wider issues relating to asset management opportunities. Members agreed to review in more detail the process of core and non core asset choices, and further agreed to meet again and progress issues further. Cushman and Wakefield will provide details for the next meeting to be arranged and confirmed to the AMMG shortly.  No changes to risk scores.	
Page 49 S20	01/10/2014	Common	Ed Potter		Community & Environment	Dry Recycling Contract	Failure to renegotiate/extend Dry Recycling Contract due February 2015. Current suppliers, UPM were asked to extend Contract for a further three years but are trying to get out of an extension due to financial losses.  Failure to legally enforce contract extension option or renegotiate contract could lead to the need for short term arrangements or re-tender of the contract. Commodity prices are falling – with reduced oil prices plastic recycling prices will fall. Paper prices already fallen due to falling newspaper. Financial risk of reduced income. Service risk if outlet for recycling not secured.	Environment	4	4	16	Meetings with UPM, Procurement & Legal Use of legal advisors Working with Aylesbury Vale and SNC		Legal, Procurement & financial advice	3	4	12			No changes to risk scores or controls this quarter	
C01	01/04/2013	Common	Ian Davies	Jackie Fitzsimons	Community & Environment	Business Continuity	Plans are not in place and assumptions are made about the Disaster Recovery (DR) arrangements in the event of a Business Critical (BC) incident, leading to failure to ensure services can be delivered in the event of a issue resulting in service failure and reputational damage	Business Continuity	4	5	20	Business Continuity Strategy refreshed during Quarter 4  ICT arrangements now complete		Business continuity strategy in place All services prioritised and recover plans reflect the requirements of critical services ICT disaster recovery arrangements in place Joint Management Team lead identified Incident management team identified All services undertake annual business impact assessments	4	3	12	There is a systematic project in place focusing on critical services to ensure that absolute requirements can be met; planned testing to be arranged.  Audit and business continuity plan refresh Quarter 4	The project was unexpectedly halted because ICT resources were diverted and this work has not been completed; Meeting with ICT early February to progress.  Gap analysis indicates that plans are not up to date in some areas and these are being addressed		
C02	01/04/2013	CDC	Martin Henry	Nick Thrustle	Resources	ICT Loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.)	Business Continuity	4	4	16	Achieved ISO 22301 Business Continuity Plan updated		BCP Plan Disaster recovery (DR) arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	3	9	ICT Project Team established to review all Disaster Recovery (DR) and Business Continuity (BC) arrangements across the three councils.	Formal auditing, ICT Health check and benchmarking with best in private and public sector.	The work of the project team also includes reviewing the current data links to ensure they are fit for purpose and deliver value for money and will identify where possible how the sites across the partnership can be utilised for DR and BC purposes. This will ensure greater access to facilities, ICT resources and ensure we use our own assets where possible. The team will also look at specialist third party providers, such as Phoenix (a national DR provider) to not only gain best practice but also to offer options going forward.	
C03	01/04/2013	SNC	Martin Henry	Nick Thrustle	Resources	ICT Loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.)	Business Continuity	4	4	16	Move to The Forum successfully completed.		BCP Plan Disaster recovery (DR) arrangements (Limited) Back up of systems Process and standards (compliance regime) Achieved ISO 22301	3	4	12	ICT Project Team established to review all Disaster Recovery (DR) and Business Continuity (BC) arrangements across the three councils.	Formal auditing, ICT Health check and benchmarking with best in private and public sector.		

Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
C04	01/04/2013	Common	Martin Henry		Resources	Corporate Fraud	Lack of corporate governance and control results in fraud from either within or outside the councils heightened by the transfer of staff to the Single Fraud Investigation Service (SFIS) from February 2015.	Legal & Professional	4	4	16	A Joint Corporate Fraud Team has been agreed at CDC and SNC and a senior investigating officer appointed to the new structure.		Professionally qualified finance staff. Communication of anti-fraud messages. Specific corporate fraud resource within the Councils. Fraud risk assessments carried out periodically. Audit Committee at SNC. Accounts, Audit and Risk Committee at CDC. Benefit fraud campaigns advertised. Benefit fraud identification and convictions communicated to the local press. Internal controls processes and procedures (segregation of duties, checking of information etc.) Periodic checking of data (single person discounts, Audit Commission data matching etc.) Membership of National Anti Fraud Network. Role of S151 and monitoring officers. Fraud detection & prevention corporate policies in place such as Whistle Blowing and Anti-fraud & Corruption Policy. Standard agenda items on Accounts, Audit and Risk Committee and Audit Committee. Use of internal and external audit as part of planned programme and on an ad-hoc basis as required.	3	4	12	No update on actions required		Risk reviewed, no changes to scores or controls	
C05	01/04/2013	Common	Jo Pitman	Lou Tustian	Resources	Managing Data and Information	Poor data quality or lack of relevant information results in poor decision making	Legal & Professional	4	4	16	Review of performance framework undertaken during quarter 3 Managing data and Information is linked to one of the transformation workstreams.		Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place	3	3	9		Audit, data quality checks as part of performance management framework.	Risk reviewed and no change during Q3. A review of the data quality policy in line with Workstream 5 (Strategic Information Requirements' across both councils) will commence during Q4.	
C06	01/04/2013	Common	Kevin Lane		Resources	Member Decision Making	That members do not have access to information and support to make effective decisions	Legal & Professional	4	4	16	Member reporting template for both Councils includes mandatory insertion of legal implications arising from the recommended decision. Requirement for JMT member sign off of Committee reports has been reinforced at JMT. Induction training for SNC members and new members at CDC plus planning training at both Councils in May.		Attendance of professionally qualified and experienced officers at all Member decision taking meetings. Business Planning meetings at Executive and Cabinet. Council Constitutions. Member Development Programmes. Legislative requirements. Call in processes. Sign off of Council/Executive/Cabinet/Committee reports by JMT member	3	4	12	Member concerns at SNC concerning access to agenda information during meetings via their tablets have been addressed via the issue of guidance from the Head of Transformation and the portfolio holder. Interim changes have also been made to the Democratic/Elections team's method of despatch of exempt agenda papers to members to ensure proper access.	No decision has been made by either Council which is inconsistent with the policy framework or legal requirements	Controls continue to mitigate successfully. For example the future removal of Revenue Support Grant support announced in the Autumn statement was anticipated and planned for by both councils.	
Page 50	01/04/2015	SNC	Chris Stratford	Chris Stratford	Resources	Moat Lane Relocation and Change (MLR)	Car Parking provision in Towcester	Customer Citizen / Service Delivery / Operational	4	3	12	Development proposed to commence mid Sep 2015 subject to pre-development negotiations and contract finalisation, and satisfying of minor planning conditions.		Report received and considered by members. Decision made to proceed with initial phase for the development of 60 car parking spaces on Northampton Road. All Environment Agency planning issues resolved, and subject to satisfying minor planning conditions associated with development of site, construction to commence middle of Sep 2015. Project board advised of latest, and will continue to monitor.	3	3	9	Phase 1 completion due week commencing 8 February 2016		Completion of Phase 1 due week commencing 8 February 2016; however consideration is currently being given to Phase 2 works whilst contractor on site. Decision required by 5 February 2016.	
C09	01/04/2015	SNC	Kevin Lane	Kevin Lane	Resources	High proportion of new members	Whole council elections lead to a high influx of new members who are initially unfamiliar and uninformed thereby having a negative effect on decision making quality	Legal & Professional	4	4	16	Induction training in May with more topic based training scheduled. Planning training also in May. Provision of IT tablets to all members enabling self research		Requirement to attend induction training to be imposed via political groups. Record of induction attendance to be retained. No member entitled to sit on Development Control Committee or Licensing Sub Committee without prior mandatory training	3	4	12		No successful legal challenge has been made to any decision by the Council alleging misapplication of law or policy by any members.	Decision making quality appears to continue to be sound.	
C10	01/04/2013	Common	Jo Pitman	Janet Ferris	Resources	Communications	Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale	Reputation / Communication	4	4	16	Social media training for Members has now taken place		Centralised press office function Members attributed and sign of press releases Communications strategy in place Members media training Social Media Policy Specific communications plans in place for major projects	3	3	9	In November 2015, the business case to form a shared Communications and Marketing team across CDC/SNC was approved. Recruitment of the Corporate Communications and Marketing Manager has concluded and recruitment into the remaining posts within the team is underway. The creation of a single combined team provides greater resilience within the team, with an out of hours rota being introduced to monitor social media.	SNC Members communications panel SNC Portfolio Holder for communications CDC member lead for communications Quarterly performance reporting CDC annual satisfaction survey includes comprehensive communications section	Risk reviewed for Q3 and no changes to risk scores or controls required.	



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C11	01/04/2013	Common	Jo Pitman	Caroline French	Resources	Equalities	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	Legal & Professional	4	4	16	Equality Action Plan being published 2015/16		Rolling programme of equality assessments Equality policy and corporate plan in place Equalities requirements to be identified in service plans Equalities training available for staff and members Equalities awareness programme at CDC (knowing our communities)	4	4	16	1/ Thames Valley Police's Police and Crime Commissioner has stopped the use of third party hate crime reporting through Stop Hate UK and commissioned the Milton Keynes Equality Council (MKEC) to complete this work. Until MKEC reporting goes live early in 2016, an interim process has been published redirecting all reports to the Corporate Policy Officer - this will be resolved early in Q4.  2/ The Forum - Disabled Access to Dias and Emergency Exit risk remains elevated this quarter. However, a new hand rail has been fitted to the step access to the stage at The Forum and a portable lift is currently on order with delivery anticipated in March. A mechanical stair climber device has also been purchased to improve emergency exit via the outside staircase for wheelchair users. Both issues will be resolved Q4.	Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.	Each Council maintains its controls through Equality Action Plans and EIA rolling Plans linked to service planning and quarterly performance reports.  Risk scores remain elevated during Q3 but actions are in place for resolution during Q4 which will result in a reduction in risk scores.	
C12	01/04/2013	Common	Jo Pitman	Dave Bennett	Resources	Health and Safety	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	Legal & Professional	4	5	20	CDC and SNC are both now certified to the international standard BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard thus demonstrating a commitment to the development and improvement across the organisation with on-going external audits to ensure that the levels attained regarding each standard continues to be maintained.		Both Councils have shared policies, procedures, and arrangements in place to mitigate the risks of accidents to staff, members of the public and contractors that may be affected by the Councils actions	2	5	10	BM Trada Audit in December 2015 was very positive with no conformities identified.	BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard.	Risk ratings were reduced earlier this year to reflect certification to BS OHSAS 18001 and ISO 14001 standards at both Authorities. Risk has been assessed and no changes required.	
C13	01/04/2013	Common	Ian Davies	Jackie Fitzsimons	Community & Environment	Emergency Planning (EP)	That plans are not in place to ensure the Council responds effectively in the event of a civil emergency and local residents are not supported. This could result in casualties, unnecessary hardship, impact on the local environment, costs and reputation.	Customer Citizen / Service Delivery / Operational	3	4	12	Reviewing arrangements for review and updating and to secure improved coordination of this and the Business Continuity Plans (BCP)		Emergency plan reviewed quarterly and on activation. Team established to monitor and ensure all elements are covered. Added resilience from cover between CDC and SNC	3	4	12	Plans to improve access to plan out of hours ; control room at SNC now agreed; Impact of withdrawal of Northants County Council emergency planning service needs to be assessed	Oxfordshire County Council (OCC) EP Division have accepted our EP as being sufficient and suitable. OCC have also led on desk top studies of implementation.	Review of resources and will be addressed as part of new Public Protection business case.  <b>Residual risk probability raised to 3</b> due to uncertainty following Northamptonshire County Council withdrawal of Emergency Planning services.	
C14	01/04/2015	Common	Ian Davies	Nicola Riley	Community & Environment	Safeguarding	Failure to:- identify safeguarding concerns and issues; use agreed protocols for escalating safeguarding concerns; use diverse community intelligence to best effect internally and externally.	Political / Social / Economic	4	4	16	Internal "See It Report It" process established and operational		Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group.  Engagement at an operational and tactical level with relevant external agencies and networks	2	4	8	Safeguarding leads meeting instigated in Q3 to capture issues and identify trends	The established "See It Report It" process has controls and monitoring arrangements for different levels in the organisation for assurance purposes	Beginning to implement the recommendations from the internal review into safeguarding with approval sought and received from Overview & Scrutiny in January 2016 and Executive. See it Report it to go live at SNC in February 2016.  <b>Residual probability scored reduced from 3 to 2</b>	

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C15	01/02/2014	Common	Ian Davies	Nicola Riley	Community & Environment	Safeguarding Children	Failure to follow our policies and procedures in relation to safeguarding children or raising concerns about children and young people welfare	Political / Social / Economic	4	5	20	Simplified training pathway established for all staff using some e-training, some face to face.		Safeguarding lead in place and clear lines of responsibility established. Safeguarding Policy and procedures in place Information on the intranet on how to escalate a concern Staff training - at SNC this is being rolled out using new NCC e-training module. Safer recruitment practices and DBS checks for staff with direct contact Action plan developed by CSE Prevention group as part of the Community Safety Partnership Local Safeguarding Children's Board Northamptonshire (LSCBN) pathways and thresholds Data sharing agreement with other Partners Attendance at Children and Young People Partnership Board (CYPPB) Annual Section 11 return compiled for each council	1	5	5	Independent Review undertaken Section 11 returns completed for both Authorities	Safeguarding champions to promote the welfare of children and be a point of contact for cascading information. Annual Audit of activity JMT and LSP also have specific actions and/or meeting times JATAC (Joint Agency Tactical and Co-Ordination Meeting) at CDC where issues of CSE are currently discussed with partner agencies.	Action plan to implement the recommendations arising from the internal review in place - as above.  <b>Residual probability score reduced to 1</b>	
C16	01/04/2014	Common	Ed Potter		Community & Environment	Waste Framework Directive	Failure to meet new legislation coming into effect on 01/01/2015 will increase cost of recycling for both authorities, reduce service delivery and increase customer dissatisfaction  (New Legislation requires LA to collect glass, paper, plastics and metals separately unless it is Technically Economically Environmentally not Practical (TEEP) to do so.)	Environment	3	4	12	Environment Agency gathering data on Councils regarding TEEP in April 2015. If there are concerns the EA will be in touch.	01/01/2015	Working with other Authorities using the Waste and Resources Action Programme (WRAP) Route Map.	1	4	4		Cabinet / Executive Reports	No changes to risk scores or controls this quarter	
P01	01/04/2013	SNC	Ian Davies	Jackie Fitzsimons	Community & Environment	SNC Community Safety Partnership	The partnership doesn't add value to the work of the Council  Undertakes projects that don't align with strategic objectives of the Council.  Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Customer Citizen / Service Delivery / Operational	3	3	9	Recent withdrawal of Police and Crime Commissioner funding for the Partnership means that there is a significant funding gap and the sustainability of the partnership "as is" is questionable;  Report to CSP in September and will be addressed by Public Protection shared services		Elected member representation at CSP Board level. Partnership has a clear strategy with measurable targets: clear and informative performance management document produced each month. Local action plans for multi-agency groups in Towcester and Brackley areas.	4	2	8		Report to SNC CSP in September and will be addressed by Public Protection shared services business case  CSP Forward Plan established. Regular (monthly) updates on performance reported to the CSP.	Shared services business case progressing. No change to risk actions, controls or scores.	
Page 52	01/04/2013	SNC	Ian Davies	Jackie Fitzsimons	Community & Environment	Police and Crime Commissioner (PCC) (Northamptonshire)	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the Council PCC commissions projects that don't align with strategic objectives of the Council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	Recent withdrawal of Police and Crime Commissioner funding for the Partnership means that there is a significant funding gap and the sustainability of the partnership "as is", is questionable; report to CSP in September and will be addressed by Public Protection shared services		Effective local Community Safety Partnership (CSP) meetings Elected member representation at Police and Crime Panels (PCP) Elected Member representation at Northamptonshire Board Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP Steering Group Policy	4	2	8		Report to SNC CSP in September	No changes required this quarter	
P03	01/04/2013	CDC	Ian Davies	Jackie Fitzsimons	Community & Environment	CDC Community Safety Partnership (CSCP)	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	CSCP is re writing action plans to include Prevent and CSE		Attendance at CSCP meetings Funding secured 2015-16 OSCB business plan approved PCC priorities updated	2	2	4		PCC / OCC to audit spending CSP reports to OSCP and subject to CDC , PCC and PCP scrutiny	The risk has been reviewed and there are no changes this quarter	

Ref No	Date risk added	SNC or CDC	JMT Member	Lead Manager if applicable	Directorate	Risk Name	Risk Description	Type of Risk/ Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Enter your comments Q3 Review	Date Closed if applicable
P04	01/04/2013	CDC	Ian Davies	Jackie Fitzsimons	Community & Environment	Police and Crime Commissioner (PCC) (Thames Valley)	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the council PCC commissions projects that don't align with strategic objectives of the council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	PCC funding in place for 2015/16		Effective local Community Safety Partnership meetings Elected member representation at Police and Crime Panels (PCP) Elected Member representation at Oxfordshire Board (OSCP) arrangements. Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP Steering Group Policy	2	2	4		PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP	Risk reviewed and no changes to scores	
P05	01/04/2013	CDC	Adrian Colwell		Development	Oxfordshire LEP (OLEP)	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16	Engagement on inward investment , EU projects and SEP refresh		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12		Portfolio briefing Growth Board Regular liaison meetings with OLEP	Decision on EU funding still awaited.	
Page 53	01/04/2013	SNC	Ian Davies	Nicola Riley	Community & Environment	Health and Wellbeing Partnership	Failure of the new partnership arrangements results in South Northamptonshire Council not being able to meet its safe and healthy objectives.	Political / Social / Economic	4	3	12	Board and Locality Forum both meet quarterly. Healthier Northamptonshire programme has been set up to support priorities. Increased focus on integration of Health and Social Services and on Transitional funding. SNC Health and Wellbeing forum established and well received.		All staff at both Councils are involved in an awareness session	3	3	9		Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	The Blueprint for Health and Wellbeing was developed in Q3 and will be consulted on in Q4. The changes to service delivery at Northampton County Council (NCC) via the Community Interest Company is still an unknown quantity and so the risk, whilst it has been reviewed, remains the same.	
P07	Now individual risks for each Council 01/04/15	CDC	Ian Davies	Nicola Riley	Community & Environment	Health and Wellbeing Partnership	Failure of the new partnership arrangements results in Cherwell District Council not being able to meet its safe and healthy objectives.	Political / Social / Economic	4	3	12	Senior Officer engagement at Countywide Health and wellbeing board. Oxfordshire County Council public health and Oxfordshire Clinical Commissioning Group (OCCG) both members of the Local Strategic Partnership		Engagement with County Council structures Oxfordshire has a clear structure and acknowledges the need for the District Council's direct contribution. Financial constraints to the delivery of the Health & Wellbeing Board action plan	3	3	9	Workshop held in Q3	Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	Workshop held in Q3 to consider the Oxfordshire Clinical Commissioning Group (OCCG) framework and progress towards a shared vision being made but no inherent change to risk value.	
P08	01/04/2013	Common	Adrian Colwell		Development	South Midlands LEP (SEMLEP)	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16	Participate in all SEMLEP activities. Both Councils support of 'Velocity' rollout to support business growth Engagement in Chief Exec Group, Rural Group & ED Officers Convened Conference on Better Regulation EU funding bids lodged		Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12			Decision on EU funding awaited.	
P09	01/04/2013	SNC	Adrian Colwell		Development	SNC Joint Planning Unit (JPU)	Failure to effectively manage the council's partnership with the JPU results in a failure to adopt a sound local plan. This relates to strategic risk s10 as without a sound local plan the long term strategic objectives of the council will be jeopardised and there is a potential negative impact on the council's reputation.	Political / Social / Economic	4	4	16	JPU scaled back following adoption of Joint Core Strategy		Partnership governance arrangements in place Working groups to support technical issues are in place (with both member and officer input) Retained QC for legal advice	3	3	9		Cabinet and Planning Policy and Regeneration Strategy Committee	JPU role reduced. Focus is on SNC led Local Plan Part 2a.	

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**Q3 RISK HEAT MAP : INHERENT RISK**

Likelihood (Probability)

	Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
<b>Catastrophic (5)</b>	5	10	15 S17 : CDC Build! ® Programme	20 S01 : Policy & Legislative Change S09 : SNC Local Plan S11 : CDC Local Plan C01 : Business Continuity C12 : Health and Safety C15 : Safeguarding Children	25 S06 : SNC HS2
<b>Major (4)</b>	4	8	12 S03 : Capital Investment S10 : CDC Brighter Futures S13 : CDC Bicester Town Centre Dev S14 : CDC Graven Hill C13 : Emergency Planning C16 : Waste Framework Directive	16 S02 : Financial Resilience S05 : SNC Managing Growth S08 : SNC Silverstone Master Plan S12 : CDC NW Bicester (Eco Town) S15 : CDC Horton Hospital S16 : Joint Working (2 & 3-Way) S18 : CDC Banbury Development S19 : CDC Asset Management S20 : Dry Recycling Contract C02 : CDC ICT Loss of Systems C03 : SNC ICT Loss of Systems C04 : Corporate Fraud C05 : Managing Data/Information C06 : Member Decision Making C09 : SNC High proportion of new Members C10 : Communications C11 : Equalities C14 : Safeguarding P05 : CDC Oxfordshire LEP P08 : South Midlands LEP P09 : SNC Joint Planning Unit	20
<b>Moderate (3)</b>	3	6	9 P01 : SNC Community Safety P'ship P02 : SNC Police Crime Commissioner P03 : CDC Community Safety P'ship P04 : CDC Police Crime Commissioner	12 S07 : Customer Service Improvement C07 : SNC Car Parking Towcester P06 : SNC Health & Wellbeing Board P07 : CDC Health & Wellbeing Board	15
<b>Minor (2)</b>	2	4	6	8	10
<b>Insignificant (1)</b>	1	2	3	4	5

**Q3 RISK HEAT MAP : RESIDUAL RISK**

Arrows indicate direction of travel compared with Q2 2015/2016

Likelihood (Probability)

	Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)	
Impact	<b>Catastrophic (5)</b>	<b>5</b> ↓ C15 : Safeguarding Children	<b>10</b> ↔ C12 : Health and Safety	<b>15</b>	<b>20</b>	<b>25</b>
	<b>Major (4)</b>	<b>4</b> ↔ C16 : Waste Framework Directive	<b>8</b> ↔ S19 : CDC Asset Management ↓ C14 : Safeguarding	<b>12</b> ↔ S01 : Policy & Legislative Change ↔ S02 : Financial Resilience ↔ S09 : SNC Local Plan ↔ S11 : CDC Local Plan ↔ S17 : CDC Build! @ Programme ↔ S18 : CDC Banbury Development ↔ S20 : Dry Recycling Contract ↔ C03 : SNC ICT Loss of Systems ↔ C04 : Corporate Fraud ↔ C06 : Member Decision Making ↔ C09 : SNC High proportion of new Members ↑ C13 : Emergency Planning ↔ P05 : CDC Oxfordshire LEP ↔ P08 : South Midlands LEP	<b>16</b> ↔ C11 : Equalities	<b>20</b>
	<b>Moderate (3)</b>	<b>3</b>	<b>6</b> ↔ S03 : Capital Investment ↔ S05 : SNC Managing Growth	<b>9</b> ↔ S07 : Customer Service Improvement ↔ S10 : CDC Brighter Futures ↔ S12 : CDC NW Bicester (Eco Town) ↔ S13 : CDC Bicester Town Centre ↔ S14 : CDC Graven Hill, Bicester ↔ S15 : CDC Horton Hospital ↔ C02 : CDC ICT Loss of Systems ↔ C05 : Managing Data & Information ↔ C07 : SNC Car Parking Towcester ↔ C10 : Communications ↔ P06 : SNC Health & Wellbeing Board ↔ P07 : CDC Health & Wellbeing Board ↔ P09 : SNC Joint Planning Unit	<b>12</b> ↔ C01 : Business Continuity	<b>15</b> ↑ S16 : Joint Working 2 & 3-Way
	<b>Minor (2)</b>	<b>2</b>	<b>4</b> ↔ S08 : SNC Silverstone Masterplan ↔ P03 : CDC Community Safety P'ship ↔ P04 : CDC Police & Crime Comm	<b>6</b> ↔ S06 : SNC HS2	<b>8</b> ↔ P01 : SNC Community Safety P'ship ↔ P02 : SNC Police & Crime Comm	<b>10</b>
	<b>Insignificant (1)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

## Cherwell District Council

### Accounts, Audit and Risk Committee

23rd March 2016

<b>Corporate Fraud Team Update</b>
------------------------------------

### Report of Head of Finance and Procurement

This report is public

#### **Purpose of report**

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team and to ask members to consider and endorse the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies which have been reviewed and to consider and endorse the new Fraud Response Plan Policy..

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the report.
- 1.2 To consider and endorse the policy changes to the Joint Whistleblowing Policy and the Anti-Fraud and Anti-Corruption Strategy and the new Fraud Response Policy.

#### **2.0 Introduction**

- 2.1 This report is to update members on the joint Corporate Fraud Investigation team and the progress that has been made since the last report to this Committee. This report will also outline a review of some of the policies that underpin the work of the team and the introduction of a new Fraud Response Policy.

#### **3.0 Report Details**

##### **3.1 Background**

Following the transfer of the Housing Benefit fraud investigation function to the new DWP Single Fraud Investigation Service (SFIS) from 1<sup>st</sup> February 2015 the local authority retain a number of areas including: .

- Council Tax Reduction fraud investigations
- the Single Point of Contact for Department for Work and Pensions including compilation of information and evidence requested by DWP in support of a Housing Benefit fraud investigations

- amendments to any HB claims following an investigation and the collection of any overpayments
- participation in the National Fraud Initiative (NFI) for both benefits and Council Tax
- Corporate fraud and error investigations, including tenancy fraud, Council Tax discount/exemption fraud, NDR error and avoidance and procurement fraud.
- Housing Benefit Matching System (HBMS) for both councils.

3.2 A joint Corporate Fraud team has now been established for almost 12 months with the aim of protecting both Councils from fraud and error and to protect public funds.

### **Corporate Fraud Team**

3.3 The Corporate Fraud Team (CFT) comprises of two posts, a Senior Corporate Fraud Investigator (SCFI) who has been in post since 1<sup>st</sup> February 2015 and a Corporate Fraud Investigator (CFI) who took post on 23<sup>rd</sup> March 2015. The Senior Corporate Fraud Investigator is currently on maternity leave and an experienced temporary Senior Investigator has been sourced to provide maternity leave cover. An additional resource is still in place funded by the DCLG grant.

### **Update on the Corporate Fraud Team**

3.4 A Business Plan was agreed to underpin the work of the team during 2015-2016 and members of this Committee have received regular reports on the progress made against this Plan. With the agreement of members an end of year report will be presented to the Committee at the meeting in June 2016 along with a new Business Plan for the year 2016-2017. Since the last update in January 2016 the team have continued to work to achieve the objectives contained in the plan. The highlights are as follows:

- As members are aware National Fraud Initiative (NFI) matches are split into two distinct areas: flexible matching and standard NFI matching. In 2015-2015 the team have looked at around 5,000 Council Tax and Housing Benefit matches for both CDC and SNC. At the time of writing this report a total of £141,433 has been rebilled to customers in 2015-2016 as a direct result of NFI. NFI continues to be a main focus for the team with a further round of flexible matches for Council Tax and Electoral roll being delivered last month.
- One of the objectives contained in the Business Plan is a communication plan aimed at promotion of the team and to increase fraud awareness. In the last month there have been a number of changes made to the websites to place greater emphasis on the Corporate Fraud team as we move away from Housing Benefit fraud investigations. An article has also been placed in the In Brief newsletter to all staff and members. The Senior Corporate Fraud Investigations Officer is currently planning a Fraud Awareness day for officers, members and partners.
- The introduction of TrustID scanners has been agreed for a trial period of 12 months. This software is a reliable way to scan and validate identity documents such as passports, visas and driving licences and allows us to carry out checks at a reduced price and so reduce exposure to fraud and error. Colleagues in Democracy, Housing, Customer Services and Revenues are signed up to utilising the scanners which will be located at



The Forum and Bodicote House. Further scanners may be purchased for the offices at Kiddlington, Bicester and Banbury.

- Partnership working with Social Housing Providers continues to be successful. At the time of writing this report the Corporate Fraud team have 6 open investigations and have recently closed a tenancy fraud investigation which although did not lead to any prosecution did reveal a welfare issue that the Housing Association have now taken on board.
- The Single Point of Contact role enables Housing Benefit enquiries to be made by DWP and facilitates the exchange of information between the two Councils and DWP. This work continues to be time-consuming. However the team have established a good relationship with the DWP both in Northampton and Oxford and, as a result, have been invited to take part in a number of joint interviews with the Single Fraud Investigation Team which has in turn assisted in our investigations into the Council Tax Reduction fraud side of the claim.

## **Policy Review**

3.5 There are a number of policies that underpin the work of the Corporate Fraud team and the corporate aim to protect the Councils from fraud and error and protect public funds. The following policies have recently been reviewed:

- Joint Whistleblowing Policy shown at Appendix A of this report. There have been only very minor changes to this Policy which applies to all employees including causal and agency staff in encouraging them to come forward with any concerns about any aspect of the Council's work.
- Anti-Fraud and Anti-Corruption Strategy shown at Appendix B of this report. Again there have been very minor changes made to this policy which underpins the anti-fraud and anti-corruption culture across the Councils.
- The Fraud Response Plan shown at Appendix C of this report is a new document which aims to ensure that there is a clear understanding around who will conduct investigations, the responsibilities of officers, that there is substance and evidence to support any allegation and how any investigations will be conducted. on of shared practices and procedures

## **4.0 Conclusion and Reasons for Recommendations**

4.1 Members are asked to note the contents of this report and to approve that an end of year report and a new Business Plan for 2016-2017 be considered at the next meeting of this Committee.

4.2 Members are also asked to endorse some minor changes to the Joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies shown at Appendix A and Appendix B of this report and to endorse the new Joint Fraud Response Plan shown at Appendix C.

## **5.0 Consultation**

- 5.1 Consultation on the original business case took place with members of Joint Arrangement Steering Group and reports were received by Executive.

## **6.0 Alternative Options and Reasons for Rejection**

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

Option 1: To not to have an anti-fraud presence at each council. This would expose both councils to the risk of fraud and error, and this in turn may pose a risk to the public purse.

## **7.0 Implications**

### **Financial and Resource Implications**

There are no financial implications directly arising from this report

Comments checked by:

Martin Henry, Director of Resources,

[martin.henry@cherwellandsouthnorthants.gov.uk](mailto:martin.henry@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

The amendments to the whistleblowing policy include changes to ensure compliance with the Public Interest Disclosure Act 1998 as amended.

Comments checked by:

Kevin Lane, Head of Law and Governance

[kevin.lane@cherwellandsouthnorthants.gov.uk](mailto:kevin.lane@cherwellandsouthnorthants.gov.uk)

## **8.0 Decision Information**

### **Wards Affected**

All

### **Links to Corporate Plan and Policy Framework**

This links to the Council's priority of an accessible value for money council.

### **Lead Councillor**

Councillor Ken Atack, Portfolio Holder for Financial and Procurement

## Document Information

<b>Appendix No</b>	<b>Title</b>
A	Joint Whistleblowing Policy
B	Joint Anti-Fraud and Anti-Corruption Policy
C	Fraud Response Plan
<b>Background Papers</b>	
None	
<b>Report Author</b>	Belinda Green (Welfare and Debt Advice Manager)
<b>Contact Information</b>	Belinda Green 01327 322182 belinda.green@southnorthants.gov.uk

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## CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

Note: references in this policy to “the Council” mean both Cherwell District Council and South Northamptonshire Council and references to “employees” are also to employees of either council.

# Whistleblowing Policy.

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

### 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 and others with serious concerns about any aspect of either Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis.
- 1.3 Whistle blowing is the term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organization's own reputation. For example instances of theft from the Council, accepting or offering a bribe, and failure by colleagues to adhere to Health & Safety directives could all be the subject of a Whistle blow.
- 1.4 Whilst there is no statutory requirement for the Council to have a Whistle blowing policy, the

## **CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL**

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 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 in the reasonable belief that they are made in the public interest 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.

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### 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 the reasonable belief that it is made in furtherance of the public interest

#### 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 of either Council, or others acting on behalf of either Council, can be reported under the Whistle blowing policy

#### 2.4 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.

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### **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 Council's 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 Council's 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](http://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 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



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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 a reliable source.

### **6 Untrue Allegations & Legal Protection**

- 6.1 If an allegation is made in the reasonable belief that it is in the public interest to make it, but it is not confirmed by the investigation, no action will be taken against the employee making the allegation.
- 6.2 As an employee of either Council you are also given legal protection by the Public Interest Disclosure Act 1998 as amended. 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 the belief that you are acting in pursuance of the public interest, it will be unlawful for your employing 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, Senior Corporate Fraud Investigator, Internal Audit or the External Auditor. If the concern relates to an elected member the Monitoring Officer will need to be notified so that he can consider whether the matter needs to be pursued as a potential breach of the councillors’ code of conduct under the adopted arrangements for dealing with such matters.
- 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

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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 National Audit Office who deals with fraud and corruption in Local Government, as well as general conduct concerns. They can be telephoned on 020 7798 7999 or written to at The Controller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP. There is also guidance on their website (<http://www.nao.org.uk/contact-us/whistleblowing-disclosures/>). In addition, the Directgov website ([www.direct.gov.uk](http://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. When conducting the investigation the IM may involve:-
- the Corporate Fraud Investigation team
  - Internal Audit
  - Law and Governance
  - Human Resources
  - the Police
  - an external auditor
  - an independent inquiry

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

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- 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

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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 District and South Northamptonshire 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.

### 11 Associated Documents

11.1 The following is a list of documents that are closely associated with the Whistle Blowing Policy The documents are referred to or complement this strategy and are reviewed on a rolling basis.

- Anti Money-Laundering Policy
- Anti-Fraud, Corruption and Bribery Strategy
- Employee Code of Conduct
- Disciplinary Procedures
- Constitution
- Financial Procedure Rules
- Annual Governance Statement
- Risk Management Policy
- Internal Audit Strategy

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# Anti-Fraud and Anti-Corruption Strategy.

### 1.0 Introduction

- 1.1 Fraud and corruption committed against Cherwell District Council (CDC) and South Northamptonshire Council (SNC) causes:
- financial loss;
  - social harm,
  - reputational damage and
  - undermines the probity of good governance.
- 1.2 The residents and stakeholders of CDC and SNC have the right to expect that:
- their best interests are served;
  - public funds are secure;
  - decisions are honestly made;
  - elected members and officers act with integrity; and
  - the name of their council is not tarnished.
- 1.3 The purpose of this strategy is to:
- create an anti-fraud and anti-corruption culture;
  - continuously assess the risk of fraud and corruption;
  - maximise the deterrence of fraud and corruption;
  - build robust anti-fraud and anti-corruption prevention mechanisms;
  - ensure prompt detection of fraud and corruption which cannot be prevented;
  - professionally investigate cases of detected fraud and corruption;
  - effectively prosecute and sanction offenders where the law and circumstances allow; and
  - actively seek redress by the recovery of lost funds.
- 1.4 It is recommended that all partners, providers, contractors and suppliers either adopt this strategy or adhere to a strategy consistent with the principles set out in this strategy. The Accounts Audit and Risk Committee of CDC and the Audit Committee of SNC (“the Audit Committees”), through the Corporate Fraud Team, may request annual confirmation of the counter fraud and counter corruption strategies partners, providers, contractors and suppliers have in place.

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1.5 The oversight of this strategy and the aims it seeks to achieve lie with the Audit Committees.

### 2.0 Definitions

2.1 Fraud: an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.

2.2 Corruption: the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by a council, its elected members or officers. Bribery is another term for corruption and has the same definition.

2.3 Fraudulent incident: where an officer with management responsibility has determined that on the balance of probabilities a fraud or act of corruption has occurred. Having determined an incident has occurred the officers must decide on a course of action. Action could include, but not be limited to, prevention of a payment, the stopping of an entitlement, the raising of a debt or overpayment, prosecution (if the evidential burden of proof beyond reasonable doubt is met), dismissal, some form of internal disciplinary action, or no further action. All fraudulent incidents must be centrally recorded.

2.4 Fraud value: the actual loss and potential financial loss all incidents of fraud and corruption must be calculated. Calculations should be based on the balance of probability which is the evidential standard used in civil court cases. Robust recovery of actual fraud and corruption losses must be undertaken. Both actual loss and potential loss must be centrally recorded.

2.5 The balance of probability: the information at hand tends to confirm that it is more likely than not that fraud or corruption has occurred.

### 3.0 The Corporate Fraud Team (CFT)

3.1 CDC and SNC have a corporate fraud team. CFT are charged with oversight of countering fraud and corruption in CDC and SNC. CFT will work in partnership with both internal and external auditors to ensure the Audit Committees of CDC and SNC have assurance that this strategy is being complied with.

3.2 CFT will have access to all electronic and hardcopy files, records and documents held by CDC and SNC, including emails and telephone records, following appropriate justification.

3.3 CFT will have access to all physical areas, buildings and offices of CDC and SNC, including personal storage space such as desk draws and lockers, following appropriate justification.

3.4 CFT will have access to all elected members, officers (permanent and temporary), partners, providers, contractors and suppliers, following appropriate justification.

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3.5 CFT will act in a fair, independent and objective manner, without fear or favour and not be affected by improper or undue pressure from any source. CFT will not let any personal views about ethnic or national origin, disability, sex, religious beliefs, political views or the sexual orientation of suspects, victims or witnesses influence their decisions.

### **4.0 Creating an anti-fraud and anti-corruption culture**

4.1 It is key that an anti-fraud and anti-corruption culture is created and that all members and officers demonstrate a clear and active commitment to this strategy.

4.2 Any values system needs to be based on clear, broadly expressed principles which are aspirational, rooted in the core purposes of an organisation and easy to communicate and understand. These values should underpin an organisation's governance and be embedded in all its processes. As such, this strategy adopts the '*Seven Principles of Public Life*' (also known as the '*Nolan Principles*')

4.3 These principles are:

- I. Selflessness – Elected members and officers should act solely in terms of the public interest.
- II. Integrity – Elected members and officers must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- III. Objectivity – Elected members and officers must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- IV. Accountability – Elected members and officers are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- V. Openness – Elected members and officers should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- VI. Honesty – Elected members and officers should be truthful.

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- VII. Leadership – Elected members and officers should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.
- 4.4 These principles should regularly and frequently be promoted to all elected members and officers. Most importantly the principles should be clearly and demonstratively visible in all areas and activities of CDC and SNC.
- 5.0 Continuously assessing the risk of fraud and corruption**
- 5.1 The Corporate Fraud Team (CFT) are charged with assessing the risk of fraud and corruption to CDC and SNC. CFT working in partnership with both internal and external auditors will ensure that a fraud and corruption risk register is maintained and up to date. The fraud risk register must cover all CDC and SNC services and activities.
- 5.2 CFT will issue fraud alerts of current and emerging fraud risks to relevant services.
- 6.0 Maximise the deterrence of fraud and corruption**
- 6.1 The fear of getting caught is the single biggest deterrent to potential criminals. As such, CDC and SNC will have in place the resources to ensure that it is more likely than not that fraudsters and those committing corruption will be caught.
- 6.2 Any person caught committing fraud or corruption will be dealt with vigorously in line with the Prosecution Policy.
- 6.3 When CDC and SNC obtain a guilty outcome from prosecution action they have taken they will seek maximum publicity of the case. Thus sending a clear message that CDC and SNC will robustly protect taxpayers' money and valuable resources.
- 6.4 CDC and SNC will celebrate the successes of the CFT in protecting the public purse.
- 7.0 Build robust anti-fraud and anti-corruption prevention mechanisms**
- 7.1 It is the responsibility of all officers to ensure that funds from the public purse are not lost, and the reputation of CDC and SNC is not damaged, because of fraud or corruption. There is a duty on all officers to raise concerns about fraud and corruption, including any control or system weaknesses.
- 7.2 Service Heads and all managers must ensure that the activities for which they are responsible are undertaken in a robust control environment.



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- 7.3 Internal anti-fraud and anti-corruption controls must be established. These internal controls must be familiar to all officers, rigorously enforced and adhered too.
- 7.4 The CFT working in partnership with internal and external audit will ensure that internal anti- fraud and anti-corruption controls are subject to continuous auditing and monitoring. Monitoring activity will be communicated throughout CDC and SNC
- 7.5 All officers will immediate notify their manager when there has been a breach of anti-fraud and anti-corruption controls. All Service Heads and managers should notify CFT of any breaches.
- 7.6 Service Heads and managers, with the support of CFT and internal audit should resolve control breaches and system weaknesses immediately.
- 7.7 All elected members and officers must be above reproach. As such, a Gifts and Hospitality Register will be maintained. All elected members and officers are required to make themselves aware of the Gifts and Hospitality Policy.

### **8.0 Prompt detection of fraud and corruption which cannot be prevented**

- 8.1 Fraud and corruption are endemic crimes that cannot be fully prevented despite the most effective and efficient of prevention measures. All elected members and officers have a duty to be ever watchful for fraud and corruption and must report it as soon as they become aware.
- 8.2 All suspicions of fraud and corruption, not matter how small, must be reported to CFT.
- 8.3 CFT will make itself assessable to all elected members, officers (permanent and temporary), partners, providers, contractors, suppliers, citizens and stakeholders to report concerns about fraud and corruption with CDC and SNC. This should include accessible referral systems, frequent publicity campaigns, fraud awareness training and maintaining a 'Fraud Hotline'.
- 8.4 CFT will maintain records of suspicions of fraud and corruption reported, what action was taken and the outcome.

### **9.0 Professionally investigate cases of detected fraud and corruption**

- 9.1 CDC and SNC will maintain a professional, effective and efficient investigative resource.
- 9.2 This resource, in the form of CFT, will have officers professionally trained in investigating fraud and corruption. CFT officers will be expected to undertake continuous professional development and maintain knowledge of current best counter fraud and counter corruption practice.
- 9.3 CFT officers will be subject to a 'Code of Conduct' requiring them to uphold the highest standards of investigative professionalism. Any breach of this Code of Conduct may result in disciplinary action.

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### **10.0 Effectively prosecute and sanction offenders where the law and circumstances allow**

10.1 CDC and SNC have a prosecution and sanction policy. This policy must be adhered to in all relevant circumstances.

### **11.0 Actively seek redress by the recovery of lost funds**

11.1 Fraud and corruption cannot be allowed 'to pay'. CDC and SNC will robustly seek to fully recover all funds lost to fraud and corruption.

11.2 All debts owed to CDC and SNC as a result of fraud or corruption (as set out in the Definitions of this Strategy) must be marked as such on debt recovery systems. No debt resulting from fraud or corruption can be 'written off' without authority of the 151 Officer in consultation with CFT.

11.3 CFT will support all services in the recovery of fraud and corruption debts through criminal and civil legislation, tracing of offenders and detection of offender's assets.

### **12.0 Conclusion**

12.1 CDC and SNC recognise that fraud and corruption poses a serious risk of financial loss and reputation reputational damage. In adopting this Anti-Fraud and Anti-Corruption Strategy CDC and SNC send a clear message to all elected members, officers, citizens and stakeholders that fraud and corruption is unacceptable and will be dealt with in a robust manner.

12.2 This Statement will be subject to annual review by the Audit Committees.

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# Fraud Response Plan

## Introduction

- 1.0 This plan provides guidance to employees and management in the event of their becoming aware of, or suspecting a fraud or corrupt act being committed against CDC and/or SNC by an Elected member, officer, contractor or service user.
- 1.2 The objectives of a fraud response plan are to ensure that timely and effective action can be taken to:
- minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation;
  - ensure there is a clear understanding over who will lead any investigation and to ensure service managers and Human Resources are involved as appropriate;
  - secure evidence and ensure containment of any information or knowledge of any investigation into the matter reported;
  - prevent further losses of funds or other assets where fraud has occurred and maximise recovery of losses;
  - ensure there is substance and evidence to support any allegation against an employee before that employee is subject to disciplinary action;
  - minimise the effect of a fraud or corrupt act by taking appropriate and timely action at an early stage;
  - identify the perpetrators and maximise the success of any disciplinary /legal action taken; and
  - minimise any adverse publicity for CDC and/or SNC
- 2.0 Officer responsibilities**
- 2.01 There are a number of actions officers may be required to undertake depending on who is involved in the fraud or corruption.
- 2.02 Officers who know of or suspect a fraud or corrupt act should not discuss the matter with other work colleagues either before or after reporting it to the appropriate person.

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- 2.03 Officers should never confront the suspected individual or act in a manner which might draw the individual's attention to their suspicions.
- 2.04 At the earliest opportunity officers should provide a statement clearly recording all the activities they have witnessed and information they have received or are aware of. It is important to record as much information as possible to inform any subsequent management assessment or investigation, including dates, times and sequences of events.
- 2.05 Officers must only report genuine concerns and believe the concerns to be true. Any reports which are subsequently determined to be malicious could be dealt with as a disciplinary matter.
- 2.06 All information about the case, including details of who made the allegation, will remain confidential wherever possible. However, any investigation may lead to criminal proceedings. Therefore, witnesses may be required to make statements and attend court. Also, in the interests of justice sources of the allegation may need to be made public in court.

### **3.0 If the fraud or corrupt act is being committed by:**

- 3.01 a member of the public or service user in the officer's service area, then, under normal circumstances, officers should report their concerns to their line manager. It may be the case that fraud is a frequent occurrence in some services and there may be arrangements in place for officers to report fraud directly to the Corporate Fraud Team (CFT).
- 3.02 a member of the public or service user not in the officer's service area then the officer should NOT ignore the information they have, but should report the matter directly to CFT. This may include information that comes into the officer's possession through their personal or social life.
- 3.03 a work colleague within the colleague's area of work, then, under normal circumstances, officers should report the matter to their line manager.
- 3.04 a work colleague, outside the colleague's normal sphere of work then, under normal circumstances, officers should report the matter to their line manager. Officers may not wish to report the matter to their line manager, particularly if there is a suspicion the line manager is involved in committing the fraud or corrupt act or having an involvement or knowledge. In such circumstances, officers should make their reports direct to CFT.

## CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 3.05 an elected member, then, under normal circumstances, officers should report their concerns to the Monitoring Officer. The Monitoring Officer is responsible for initiating any internal investigations relating to alleged breaches of the councillors' code of conduct.
- 3.06 Officers are also at liberty to raise concerns by way of whistleblowing, in line with CDC and SNC councils' Whistleblowing Policy.
- 3.07 Where an elected member come into possession of information which may indicate that a fraudulent or corrupt act is being perpetrated the expectation is that they will report this to either the Chief Executive or the appropriate Executive Director. The Chief Executive or the Executive Director should ensure that any subsequent investigation follows the requirements of this fraud response plan.

### **8.0 Investigation Conduct**

- 8.01 When a suspected fraud or corrupt act is reported to a line manager, the line manager must report the allegation to CFT. The line manager, in consultation with CFT, will assess the situation and will, where evidence suggests there is a potential fraud or corrupt act, undertake an investigation in conjunction with the Senior Corporate Fraud Officer.
- 8.02 The Monitoring officer should also follow the requirements of this Response Pan.
- 8.03 Under no circumstances should a line manager confront the alleged perpetrator without having consulted CFT. The line manager should not discuss the case with other officers or peer managers.
- 8.04 For internal cases involving an officer or officers the appropriate Director should be informed unless the Director is suspected of being involved in the allegation. Directors do not have the power to interfere or prevent an investigation as set out in this Response Plan.
- 8.05 All investigation conducted by CDC and SNC will be conducted in a professional and legal manner. All investigative legislation and codes of practice will be complied with to the full. Any investigation that may result in criminal proceedings should be conducted by CFT, or CFT liaising with the police or other law enforcement agencies.
- 8.06 If the assessment of the allegation concludes that an investigation will not result in criminal proceedings, it will be normal practice that CFT will conduct the investigation. However, if CFT resources are unavailable, the investigation can be conducted by the line manager or other appointed person following CFT advice.

## CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL

- 8.07 The investigation should be carried out as quickly as possible with the objectives of either substantiating or repudiating the allegation.
- 8.08 All evidence will be held securely - evidence could be documents, CCTV tapes or computer records.
- 8.09 The securing of computers and associated data and records is a specialised procedure and should only be attempted by specialists, these specialists should be sourced through CFT.
- 8.10 The investigating officer will be responsible for gathering and securing evidence, interviewing witnesses, interviewing alleged perpetrators and writing an investigation report.
- 8.11 All interviews with alleged perpetrators will be audio recorded. However, only when there is prima facie evidence of a crime will the alleged perpetrator be cautioned in accordance with the Police and Criminal Evidence Act 1984. (PACE).
- 8.12 All interviews will be conducted in line with the relevant PACE code of practice. There will be two interviewing officers present. The interviewee will be afforded all legal rights, such as those set out in the Human Rights Act 1998 and PACE. If the interviewee is an officer of CDC or SNC then they will be entitled to legal and trade union representation. Any advice should come from a legal representative having received instruction from the officer being investigated or the trade union representative.
- 8.13 If the allegation is serious it may be desirable to remove an employee from the workplace, whilst the investigation is undertaken. If suspension is being considered the line manager and CFT will discuss this with the Human Resources. A decision to suspend should be taken promptly with a Director's approval of the suspension. Any Officer suspended must NOT, under any circumstances, be allowed access to computer systems, or any records or other officers.
- 8.14 At the conclusion of the investigation, the investigating officer will write an investigation report. This report will lay out the evidence obtained and set out what this evidence tends to suggest. The investigation report will be presented to the line manager. The line manager and the investigating officer will discuss what course of action should then be taken. In serious cases Directors should be consulted,
- 8.15 Action could include:
- taking no further action;
  - applying the Prosecution and Sanctions Policy
  - taking disciplinary action
  - recovering losses



## **CHERWELL DISTRICT COUNCIL AND SOUTH NORTHAMPTONSHIRE COUNCIL**

- 8.16 Any elected member, officer or member of the public who has been interviewed must be notified as soon as possible of the outcome of the investigation.

### **9.0 Conclusion**

- 9.1 This Fraud Response Plan is part of the Counter Fraud and Corruption Framework and is intended to ensure that CDC and SNC objectives in countering and investigating fraud and corruption are achieved.
- 8.2 However, the Response Plan cannot cover all eventualities. As such, there may be issues or situation where officers are uncertain what to do. If this is the case the Counter Fraud Team should be contacted immediately.

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## Cherwell District Council

### Accounts Audit and Risk Committee

26 March 2016

<b>Internal Audit – Progress Report 2015/16, Internal Audit Plan 2016/17 and Internal Audit Charter</b>
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### Report of the Head of Finance and Procurement

This report is public

#### **Purpose of report**

To receive PwC's progress report summarising their internal audit work to date, the Draft Internal Audit Plan for next year and the draft Internal Audit Charter.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the 2015/16 progress report.
- 1.2 To note the 2016/17 Draft Internal Audit Plan.
- 1.3 To note the Internal Audit Charter.

#### **2.0 Introduction**

- 2.1 Internal Audit undertakes its work in line with their Audit Plan issued March 2015.

#### **3.0 Report Details**

- 3.1 Internal Audit is on track to deliver its planned programme of work for the year see Appendix 1.
- 3.2 Internal Audit have drafted the 2016/17 Audit Plan and Internal Audit Charter, to be discussed and agreed with JMT. The detailed plan and charter are attached at Appendices 2 and 3.

#### **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The progress report summarises the progress of internal audit's work.

## 5.0 Consultation

None

## 6.0 Alternative Options and Reasons for Rejection

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

Option 1: Not applicable as this report is for information. However, members may wish to request further information from the Chief Internal Auditor.

## 7.0 Implications

### Financial and Resource Implications

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

Comments checked by:

George Hill, Corporate Finance Manager, 01295 221731

[george.hill@cherwellandsouthnorthants.gov.uk](mailto:george.hill@cherwellandsouthnorthants.gov.uk)

### Legal Implications

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

Comments checked by:

Kevin Lane, Head of Law & Governance, 0300 0030107

[Kevin.Lane@cherwellandsouthnorthants.gov.uk](mailto:Kevin.Lane@cherwellandsouthnorthants.gov.uk)

### Risk Management Implications

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

Comments checked by:

Louise Tustian, Senior Performance and Improvement Officer, 01295 221786

[louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

### Equality and Diversity

- 7.4 There are no equality and diversity issues arising directly from this report

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

### Wards Affected

All wards are affected

### Links to Corporate Plan and Policy Framework

All corporate plan themes.

### Lead Councillor

None

### Document Information

Appendix No	Title
Appendix 1	PwC Progress Report 2015/16
Appendix 2	PwC Draft Internal Audit Plan 2016/17
Appendix 3	PwC Draft Internal audit Charter
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	<a href="mailto:Paul.Sutton@Cherwellandsouthnorthants.gov.uk">Paul.Sutton@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

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# *Internal Audit Progress Report*

Update to the Accounts, Audit and  
Risk Committee on Internal Audit  
activity

Cherwell District  
Council

March 2016

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## ***Contents***

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## Introduction

We are committed to keeping the Accounts, Audit and Risk Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared as at 3 March 2016 to update you on our activity since the last meeting of the committee and to bring to your attention matters that are relevant to your responsibilities as members of the committee.

We have also attached again for reference some of the latest publications that might be of interest to you as members of the committee (these are included in Appendix 1).

## 2015/16 audit plan update

As previously reported we continue to have ongoing discussions with management on the audit plan for 2015/16 and the plan summary below shows latest position on each of the reviews included in the plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

As previously reported we agreed with management to complete our reviews in a smaller number of blocks and therefore remain on track with our proposed plan for delivery during quarter 4.

There are no changes to the areas of review included in the plan that was presented to the committee in March 2015.

## Annual plan and indicative timeline

The following table sets out our internal audit work plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

Ref	Auditable Unit Points of Focus					Comments
		Q1	Q2	Q3	Q4	
<b>A</b>	<b>Corporate systems / Cross Cutting Reviews</b>					
A.1	<b>Finance Systems</b> <b>To cover the following on risk basis</b> <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Collection Fund (Council Tax and NNDR)</li> <li>• Housing Benefits</li> <li>• Debtors</li> <li>• Creditors</li> </ul>			✓	✓	<b>Payroll, Debtors and Creditors</b> Work was undertaken during November and December.  Given the change in finance system for the next financial year (FY 16/17), we agreed that certain elements of the General Ledger review would not be required for FY15/16.  <b>Housing Benefits</b> Work was undertaken during November and December.  <b>Collection Fund</b> Work was undertaken during December and January as anticipated and previously agreed.

						See below for complete update position.
<b>B</b>	<b>Department</b>					
B.1	<p><b>Programme Management</b> Ongoing support to consider programme management and key ways of working on major programmes across the council, to be agreed during the plan year.</p> <p>Key projects include:</p> <ul style="list-style-type: none"> <li>• Graven Hill</li> <li>• Bicester Town Centre Redevelopment</li> <li>• Build Programme</li> <li>• New Finance System</li> </ul>			✓	✓	<p>We have had ongoing communications and we agreed a scope to look at the new finance system implementation and agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>Delivery of this review was during late February before the go live implementation of the new finance system.</p>
B.2	<p><b>Risk Management/Governance</b> Review the adequacy of risk management arrangements within the Council and we will provide you with a view on your Joint Risk Management arrangements.</p>				✓	<p>Work started 22 February 2016 and is due to complete 4 March 2016.</p> <p>See also details in risk management training section below.</p>
B.3	<p><b>IT General Controls</b> Review controls around key IT controls on selected systems</p> <p><b>System Reviews</b> We can help support or review around key system changes from a variety of aspects including: system configuration, application and database controls and reporting configurations.</p> <p><b>Cyber Security</b> We view cyber security through a rounded approach and is designed to provide you with confidence: in your people, technology and connections, how you manage risk, set priorities and respond to an incident or during a crisis. Our approach typically begins with an assessment of your current capability and a recommendation of areas for improvement.</p>			✓	✓	<p>As detailed in B.1 above, we have had ongoing communications and we agreed a scope to look at the new finance system implementation and agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>Delivery of this review was during late February before the go live implementation of the new finance system.</p>



B.5	<p><b>Service Redesign / Compliance Reviews</b></p> <p>To review current service plans and operational design and arrangements to benchmark performance on selected service.</p> <ul style="list-style-type: none"> <li>• Planning and the Economy</li> <li>• Regeneration and Housing</li> <li>• Environmental Services</li> </ul>			✓	✓	<p>We have had ongoing communications and discussions with relevant officers in relation to our planning review for 2015/16.</p> <p>We shared an initial draft for comment and planned to deliver the review during February 2016 as previously agreed and discussed with management.</p> <p>See further below.</p>
B.6	<p><b>Finance Year End Support</b></p> <p>To support you at year end. This support will include a critical review of your draft accounts, accountancy support and attendance at your close down group.</p>					<p>This is directed by areas of support required for your annual statement of accounts.</p> <p>We will await any communication around areas of support or review that may be required.</p>
<b>VE</b>	<b>Value Enhancement</b>					
VE.1	<p><b>Joint Working and Transformation Programme</b></p> <p>Review of the governance and business cases for efficiencies and savings for three way working.</p> <ul style="list-style-type: none"> <li>• Governance Models</li> <li>• New Ways of Working</li> </ul>				✓	<p>We have had ongoing communications and discussions with the Business Transformation Manager in relation to our review for 2015/16.</p> <p>As agreed we usually plan to deliver this review over 2 weeks from mid-March in each plan year, to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.</p> <p>See further below.</p>
<b>PM</b>	<b>Project management</b>					
PM.1	Project management	✓	✓	✓	✓	
PM.2	Contingency					<p>We aim to have an element of contingency in each plan to respond to any emerging risks in each plan year.</p>
	<b>Total Cost</b>					<b>£47,355</b>

### Financial system reviews update as at 3 March 2016

#### Payroll, Debtors and Creditors

Work has been completed and the draft report anticipated for issue w/c 7 March. There are no individual high risk issues and we anticipate that the overall report for Creditors and Payroll will be rated low risk and Debtors will be rated as medium risk.

We amended the scope of our debtors review to incorporate aged debt for this year following discussions with management.

### **Housing Benefits**

Work has been completed and the final report issued. There are no individual high risk issues, the overall report is rated as low risk.

### **Collection Fund**

Work has commenced and is expected to complete on 14<sup>th</sup> March. We have held initial meetings, updated our understanding of controls and selected main samples.

### **Other reviews update as at 3<sup>rd</sup> March 2016**

#### **IT and Programme Management**

Work commenced on 22 February and we have had discussions with audit sponsors in relation to our initial findings. The review is due to complete by the end of March as previously anticipated and is currently subject to our review and reporting process.

#### **Service Redesign / Compliance Reviews**

We have shared an initial draft scope for comment and plan to complete the review in March 2016 as previously agreed and discussed with management. This has been delayed as we have had no response from the audit sponsor and have been continuing to chase. We will discuss further with the Head of Finance and Procurement.

#### **Risk Management/Governance**

Work commenced on 22 February and we expect to complete fieldwork 4 March.

#### **Joint Working and Transformation Programme**

We plan to deliver this review over 2 weeks from mid-March to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.

We intend to review the transition plans for ICT and Legal. Final scope to be agreed upon with the Business Transformation Manager but will focus on critical friend role to ensure transition plans are robust.

## ***Additional work***

### ***Risk management***

As previously reported, we have been asked about the provision of risk management training for the senior management team and staff under service heads that have responsibility for risk.

We held a detailed discussion on 5 November 2015, around the nature and format of anticipated training and any input for ongoing updates and needs, with the Acting Corporate Performance Manager and Performance Information Officer. We also discussed initial budget.

The training will take the form of workshops and most productively will be in four sessions over a couple of days. We have now agreed that the delivery of these workshops will take place on 14 and 15 April.

We will keep the committee informed of any further additional work and costs that are agreed in relation to risk management.

### ***Additional Reviews***

Following review of recommendations made by KPMG in relation to NNDR, we have agreed a couple of additional pieces of work to cover the following areas. It is anticipated that these will be completed

and concluded during March and early April and will input into the Council's improvement plan currently being drawn up. The terms of reference for these have been agreed with the Head of Finance and Procurement.

***NNDR Follow Up***

We will review the controls and processes around the accounts production and interaction with NNDR returns and systems and look to make recommendations around controls that should be considered to address the weaknesses and risks identified and inform the improvement plan.

***Reconciliations Follow Up***

We will review the controls and processes around the accounts production and the Council's current suite of reconciliations to make recommendations around whether reconciliations are sufficient and appropriately controlled and reviewed.

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## ***Appendix 1 – Recent PwC Publications***

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

All publications can be downloaded in full at [www.psrc.pwc.com](http://www.psrc.pwc.com) and we have included the most relevant and recent listed below alongside this report for your further reference.

We also have a dedicated public sector twitter account with the latest information, comments or links to recent publications or blogs.

### ***Twitter***

PwC UK Public Sector  
@pwc\_ukgov

### ***Good growth for cities 2015: Our report on economic wellbeing in UK urban areas***

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.

This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.

This year, we've also looked at the 'Northern Powerhouse' for the first time, which can be used in the future to assess the success of the move to devolve powers from a good growth perspective. To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved.

As detailed in our previous update report to the December committee and still of relevance and interest.

### ***Full speed ahead: connecting our cities and regions***

Against the backdrop of a cross-party commitment to further devolution and the prospect of new investment in major national infrastructure projects - such as HS2 and new airport and road capacity – we held a series of roundtables with transport stakeholders in both the public and private sectors across the UK, facilitating discussions with those on the frontline of policy and delivery on what is needed over the next five years to ensure a lasting step change in transportation within and between our major towns and cities.

In association with Smith Institute, this Talking Points discusses how failure to invest in a more integrated and better connected transport network could leave UK plc at a competitive disadvantage. In particular, we wanted to discover more about the scale of the issue and explore what can be done to improve connectivity between cities and regions. We've found:

- There is no 'one size fits all' solution and the future is about localised decision-making.
- Transport devolution is about more than just improving local transport systems. It is also about connecting local and city-region transport networks.

- Progressive transport planning and funding must seek to integrate transport with local and city-region plans for jobs, housing and growth. The aim is not only to improve connectivity, but to also maximise the socio-economic benefits of all types of transport investment.
- The biggest challenge now is securing the capital investment that is needed to meet future demand and/or looking for alternative sources of funding.
- When balancing the development of new projects and maintaining and improving existing transport, transport appraisal and analysis will be required in helping making key decisions.
- Connectivity between all places will continue to be critical to our future prosperity

### ***To own or not to own: realising the value of public sector assets***

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to “examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector.”

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1. Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond.

### ***Beyond letting go***

Embedded in the UK Spending Review is a commitment to further decentralise functions and budgets in order to maximise efficiency, drive local economic growth and productivity, and support the integration of public services. Decentralisation has implications not only for the local and combined authorities seeking deals but also for how central government operates.

Central government has a significant role to play as an enabler for decentralisation, playing its part in moving to more collaborative relationships between central and local and ensuring that the momentum behind devolution continues, while maintaining sufficient oversight to manage risk and network issues. This will be a challenging balance to strike, particularly given the asymmetrical nature of decentralisation, with different places bestowed additional powers and responsibilities in relation to their appetite, capacity and capability.

Our ‘Beyond letting go’ Talking Points explores a number of areas where central government has a critical role to play in creating and operating in a successful devolved environment. Together these add up to a fundamentally new role for Whitehall. In each case, central government needs to strike a balance between genuinely empowering local areas where the costs, benefits and solutions are localised, and maintaining appropriate national oversight.

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# *Internal Audit Risk Assessment and Plan 2016/17*

**DRAFT**

**Cherwell District  
Council**

**March 2016**

**DRAFT**

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## **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. Introduction and approach

## Introduction

This document sets out the initial risk assessment and our internal audit plan for Cherwell District Council for 2016/17. We will take a final plan to the June committee following the finalisation of our 2015/16 plan reviews and any further planning meetings with key management team members. We have based this plan on detailed discussions with Head of Finance and Procurement and updating our understanding of the Council's risks. We are aware that the Council is in the process of a corporate restructure and that a new S151 Officer is due to be appointed during April. Once the appointment is confirmed we would seek to have a meeting with the S151 Officer and new directors that have been appointed, to see if there are any specific risks or issues that are not covered by this draft plan, with an intent to take a final plan to the June committee once the new structure has been confirmed.

## Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by Cherwell District Council's organisational objectives and priorities, and the risks that may prevent Cherwell District Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

*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.

## *Basis of our plan*

In order to carry out the level of work that our risk assessment indicates is appropriate, we will estimate the resource requirement for Cherwell District Council's internal audit service in our final plan. The level of agreed resources for the internal audit service for Cherwell District Council is to be agreed with the new S151 Officer on appointment and it is likely that the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Accounts, Audit and Risk Committee recognises this limitation.

## *Basis of our annual internal audit conclusion*

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. 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.

The level of initially agreed resources for the internal audit service for 1 April 2016 to 31 March 2017 is 123 days and £47,355, and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Accounts, Audit and Risk Committee recognises this limitation.

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 within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion

## *Other sources of assurance*

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

Some of the other sources of assurance for Cherwell District Council are as follows:

- external inspections;
- external audit work; and
- ISO accreditations.

We do not intend to place reliance upon these other sources of assurance.

## *Key contacts*

<i>Name, Job Title</i>	<i>Name, Job Title</i>	<i>Name, Job Title</i>
Sue Smith, Chief Executive	TBC - S151 Officer	Paul Sutton, Head of Finance and Procurement
Karen Curtin, Director of Bicester	Jo Pitman, Head of Transformation	

## 2. Audit universe, corporate objectives and risks

### 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.

### Corporate objectives and risks

Corporate level objectives and risks have been determined by Cherwell District Council. These are recorded in the table below and have been considered when preparing the internal audit plan.

We have also reviewed your corporate risks register and linked all high risks scoring net in excess of 10 points to our audit plan as follows:

<i>Objective</i>	<i>Risk(s) to achievement of objective</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
A District of opportunity	S14: CDC Local Plan: Failure to ensure sound local plan and priorities linked to objectives.	B1, B4 and B5 VE1
A Cleaner, Greener District	S15: CDC Local Plan, County SHMA: Risk of additional housing requirements from Oxford  C1 – Business Continuity: Plans not in place to deliver in event of incident: reputational and service failure	B1, B4 and B5 VE1
A Safe, Healthy and Thriving District	C7 – Joint Working: Reputational damage, service and financial performance decline.	B1, B4 and B5 VE1
An accessible, Value for Money Council	C9 – Equalities: Failure to comply with legislation, reputational damage and legal risk.  C10 – Health and Safety: Failure to comply with legislation, reputational damage and legal risk.  C12 – CDC Planning (Major Applications): failure to meet planning inspectorate threshold and subject to special measures  P5 – Oxfordshire LEP and P8 – South Midlands LEP: Partnership doesn't work and fails to add value and align with objectives.	A.1 All Cross Cutting Sections  B1, B2, B5 and B6  VE1

## 3. Risk assessment

### *Risk assessment results*

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 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Corporate objectives and risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating
<b>A</b>	<b>Corporate / Cross Cutting Reviews</b>				
A.1	General Ledger **	An accessible Value for Money Council	6	4	4
A.2	Debtors **		5	4	4
A.3	Creditors **		5	4	4
A.4	Payroll		6	5	4
A.5	Collection Fund		6	4	4
A.6	Cashiers		4	3	3
A.7	Housing Benefits		6	4	4
A.8	Risk Management **		5	3	4
A.9	Information Technology **		6	4	4
<b>B</b>	<b>Department</b>				
B.1	Finance and Procurement **	An accessible, value for money Council	5	3	4
B.2	Environmental Services	A cleaner, greener District	5	3	4
B.3	Law and Governance	A safe, healthy and thriving district.	4	3	3
B.4	Strategic Planning and the Economy	A cleaner, greener District A District of opportunity	4	3	3
B.5	Regeneration and Housing	A safe, healthy and thriving district; and A District of opportunity.	5	3	4
B.6	Programme Management **	An accessible, value for money Council	6	3	5

# 4. Annual plan and internal audit performance

## Annual plan and indicative timeline

The following table sets out our internal audit work planned for 1 April 2016 to 31 March 2017, together with indicative start dates for each audit.

See appendix 1 for the areas where we can add the most value and innovative ways of working over the annual plan year

Ref	Auditable Unit Points of Focus					Comments
		Q1	Q2	Q3	Q4	
<b>A</b>	<b>Corporate systems / Cross Cutting Reviews</b>					
A.1	<b>Finance Systems</b> <b>To cover the following on risk basis</b> <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Collection Fund (Council Tax and NNDR)</li> <li>• Housing Benefits</li> <li>• Debtors</li> <li>• Creditors</li> </ul>			✓		We will direct our data team specialists to deliver more effective and efficient outputs and assurance over your key financial cycles.  Appendix A
<b>B</b>	<b>Department</b>					
B.1	<b>Environmental Services</b> <ul style="list-style-type: none"> <li>• Contract arrangements</li> <li>• Governance processes</li> <li>• Raising and collection of income</li> <li>• Collection rates</li> </ul>			✓		
B.2	<b>Programme Management</b> Ongoing support to consider programme management and key ways of working on major programmes across the council, to be agreed during the plan year. Key projects include: <ul style="list-style-type: none"> <li>• Graven Hill</li> <li>• Bicester Town Centre Redevelopment</li> <li>• Build Programme</li> </ul>		✓		✓	We will direct our project and commercial assurance specialists to your key areas of risk for major projects and third party relationships.  Appendix A
B.3	<b>Risk Management/Governance</b> Review the adequacy of risk management arrangements within the Council and we will provide you with a view on your Joint Risk Management arrangements.				✓	
B.4	<b>IT System Reviews</b> We can help support or review around key system changes from a variety of aspects including: system	✓		✓		We will direct our data team specialists to deliver more effective and efficient

	configuration, application and database controls and reporting configurations.  <b>Cyber Security</b> Our approach is designed to provide you with confidence: in your people, technology and connections, how you manage risk, set priorities and respond to an incident or during a crisis. Our approach typically begins with an assessment of your current capability and a recommendation of areas for improvement.					outputs over your IT and data environments  Appendix A
B.5	<b>Service Redesign / Compliance Reviews</b> To review current service plans and operational design and arrangements to benchmark performance on selected service.  <ul style="list-style-type: none"> <li>Planning and the Economy</li> <li>Regeneration and Housing</li> </ul>		✓			We undertake review(s) within council services / departments dependent on our annual risk assessment.
B.6	<b>Finance Year End Support</b> To support you at year end. This support will include a critical review of your draft accounts, accountancy support and attendance at your close down group.					This is directed by areas of support required for your annual statement of accounts.
<b>VE</b>	<b>Value Enhancement</b>					
VE.1	<b>Joint Working and Transformation Programme</b> Review of the governance and business cases for efficiencies and savings for three way working.  <ul style="list-style-type: none"> <li>Governance Models</li> <li>New Ways of Working</li> </ul>				✓	We will utilise where appropriate our data and project specialists to align to your key risks and gaps in assurance through ongoing dialogue with management.
<b>PM</b>	<b>Project management</b>					
PM.1	Project management	✓	✓	✓	✓	
PM.2	Contingency					We aim to have an element of contingency in each plan to respond to any emerging risks in each plan year.
	<b>Total Cost</b>					<b>47,355 (initially agreed)</b>

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;
- 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

### *Key performance indicators*

Appendix 3 sets out the proposed Key Performance Indicators for internal audit. Performance against these indicators will be reported annually to the Accounts, Audit and Risk Committee.

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# Appendix 1: Innovation

## Examples of innovation for 2016/17 annual plan years

### 1. Use of data specialists and data analytics

We will work with management to explore more efficient techniques to validate and assure your key financial systems and transactions. We can provide greater population coverage (rather than sample assurance) depending on how your systems and transactions are set up and recorded.

We can use our data team to respond to some of the key data challenges you face especially key where the council is going through change and transformation programmes. Key challenges where we can provide support and input are:

#### *Data governance and quality*

- *How are you managing and controlling your data as a core asset?*
- *Who is currently in control of your data assets and processes – is it really the right approach in the current economic climate?*

*Giving you clear advice and assurance on how to manage your data through:*

- *Data governance, controls and reporting best practice*
- *Data quality assessments and data profiling*
- *Process improvement*
- *Process and controls review and design*
- *Data strategy reviews or creation*
- *Independent, client-side technical assurance*

#### *Data analysis and reporting*

- *Are your decisions based on the right inputs and interpretations – what happens if they aren't?*
- *Can you improve what your organisation does without having a clear understanding of how your organisation works – everything relies on data*

*Providing accurate and clear insight with timely analysis and robust interpretation through:*

- *Expert data analysis and interpretation*
- *Financial and non-financial audits*
- *Computer Assisted Auditing Techniques (CAATs)*
- *Controls reviews and process re-performance*
- *Journal testing and reporting*

#### *Data migration and transformation*

- *How do you deliver new capabilities with minimal disruption and cost*
- *Data is on many projects' 'critical paths' – Can you afford to get it wrong or be the cause of delays?*
- *Ensuring data migrations focus on business needs, not just technical delivery*

*Managing/reviewing migration projects to focus on business and project needs through:*

- *Design, execution and review of migration strategies and plans*
- *Practical business focused advice*
- *Client-side data migration management*

#### *Data collection and reporting*

- *Being able to collect, share and report on data quickly and securely is becoming increasingly important as organisations need accurate and cost effective data collection solutions*

*Reducing the data collection and hosting burden across your enterprise through:*

- *Creation, hosting and delivery of collaborative web tools and applications*



- *'Management Information' report development*
- *Automation of complex, data collection and data management processes*
- *Creation, hosting and delivery of collaborative portals and data hubs*

#### ***Data security and effective handling***

- *Do you really understand where your data is and who has access to it - can you afford to lose your client's data, your own intellectual property or other privileged information?*

*Making your data asset work for you securely through:*

- *Information management assurance to help you make the 'right' decisions based on the 'right' data*
- *Information assurance and security advice*
- *Data loss prevention techniques reviews*
- *Post-event management and remediation*
- *Legal and compliance advice*

## ***2. Increased use of project and contract management specialists***

Given the continued focus on efficiency savings and councils looking at new and innovative ways of working we can further align our internal audit specialists to focus on the areas of your most significant risk, projects and contract management.

#### ***Projects Assurance***

On average a quarter of all major change programmes fail completely while around three quarters under deliver. We provide insightful, independent and informed advice to a broad spectrum of clients in order to reduce the risk of project failure and increase business value. We provide quality assurance through the entire life cycle of change, from project identification through to and final delivery. We have experience across a broad range of projects and sectors, including capital intensive construction, business change and IT as well as access to the firm's global network of specialists.

We can help clients achieve the right outcomes from their projects and change programmes by;

- Reviewing projects along their life-cycle to identify risks and make recommendations on how to address them
- Reviewing project portfolios to help prioritise projects based on strategic objectives and delivery capabilities.
- Ensuring projects support the business strategy. We helped a UK construction company define its IT strategy and identify and deliver the IT change roadmap
- Reviewing whether the business case will deliver the desired results. We helped a telecoms company review the costs and projected benefits of its finance consolidation programme resulting in a re-focusing on the core objectives
- Helping you get the most from your third parties. We helped a global financial services company take significant costs out of its outsourced contract to deliver a portfolio of IT projects
- Assessing the project management process. We helped a financial services company determine where it stood in a project management maturity model and what its priorities and next steps should be.

#### ***Contracts / Commercial assurance***

The scope and complexity of third party relationships have continued to increase as companies outsource, build capital projects, enter into joint ventures and invest abroad. However, the approach to contracting remains the same as it was many decades ago. Reliance on a legal contract is insufficient when value is lost, risk is increased and service is compromised through poor relationships, contracts and management.

Complex strategic relationship management requires a holistic approach, integrating compliance and risk and performance management into the contract tendering and drafting process, as well as embedding the right behaviours and controls, so that the risk is mitigated and the contract delivers. As we have seen time and time again, poor third party relationships and contract management can result in very material losses and a loss of reputation. Conversely those who manage their third party relationships well can find they can build real value and competitive advantage.

We help clients set up, improve and exit from their complex third party relationships, as well as ensure they are compliant. Our engagements show that there are significant financial and operational benefits from a structured approach to managing their most critical third party relationships.

We provide expertise, have developed tools and diagnostics and can source and configure technology to help organisations transform their approach to manage their major third parties with sustainable bottom line results.

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# Appendix 2: Detailed methodology and risk assessment criteria

## Methodology

### Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a number senior management and non-executive members.

### Step 2 - Define the Audit Universe

In order that the 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

The 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 criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- 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 audits.

### *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 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.

Audit Requirement Rating	Frequency – PwC standard approach
6	Annual
5	Annual
4	Annual
3	Every two years
2	Every three years
1	No further work

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 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.

## 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.

<i>Impact rating</i>	<i>Assessment rationale</i>
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.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
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: Key performance indicators

## Key performance indicators

To ensure your internal audit service is accountable to the Audit Committee and management, we have proposed the following key performance indicators.

<i>KPI</i>	<i>Target</i>	<i>Comments</i>
<b>Infrastructure</b>		
Audits budgeted v actual	+/- 10 plan days with management agreement	We expect to deliver the annual plan with tolerance of 10 days with agreement of management
<b>Planning</b>		
% of audits with Terms of Reference	100%	
<b>Fieldwork</b>		
Average of cost of an audit	NA	We will provide the audit service for an agreed fee but without being tied to fixed daily rates.  Additional work and fees will be agreed separately as required.
<b>Reporting</b>		
Draft reports issues promptly	Within 3 weeks of completion of the audit site work.	
Attendance at Audit Committee	100%	
<b>Relationships</b>		
Overall client satisfaction score	8/10	

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# *Internal Audit Charter*

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**Cherwell District  
Council**

**March 2016**

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**Distribution List**

The Accounts, Audit and Risk Committee

Paul Sutton - Head of Finance and  
Procurement

TBC – S151 Officer

Sue Smith - Chief Executive

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## About this charter

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in Cherwell District Council and has been approved by the Accounts, Audit and Risk Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

## Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

## Scope

All of Cherwell District Council's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, senior management and regulators.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

## Authority

The Internal Audit function of Cherwell District Council derives its authority from the Board through the Accounts, Audit and Risk Committee. The Chief Audit Executive is authorised by the Accounts, Audit and Risk Committee to have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

## Responsibility

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Accounts, Audit and Risk Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Accounts, Audit and Risk Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Accounts, Audit and Risk Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Accounts, Audit and Risk Committee should make appropriate inquiries of management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

## Independence

Internal Audit staff will remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Accounts, Audit and Risk Committee and administratively to the Head of Finance.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive, then the Board/Accounts, Audit and Risk Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

## Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

## Reporting and monitoring

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Board/Accounts, Audit and Risk Committee.

The Accounts, Audit and Risk Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Chief Audit Executive will meet with the Chair of the Audit Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Board/Accounts, Audit and Risk Committee.

## Our team

<b>Name</b>	<b>Role</b>
Richard Bacon	Engagement Leader Chief Audit Executive
Chris Dickens	Internal Audit Senior Manager
Edward Cooke	Internal Audit Manager
Lucy Fenton	Internal Audit Team Leader

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## Definitions

Board	The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.
Accounts, Audit and Risk 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.
Senior Management	The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.
Chief Audit Executive	<p>Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations.</p> <p>Throughout this document, the term ‘Chief Audit Executive’ refers to Head of Internal Audit and this role is fulfilled by Richard Bacon – Chief Internal Auditor (PwC).</p>

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## Cherwell District Council

### Accounts, Audit and Risk Committee

23 March 2016

<b>Closedown Update 2015/16</b>
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### Report of the Head of Finance and Procurement

This report is public

#### Purpose of report

To inform members of the progress which has been made towards the preparation of the Council's annual Statement of Accounts and to review the proposed summary timetable for production.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To approve the summary closedown timetable as set out in Appendix 1.

#### 2.0 Introduction

This report is to inform members of the process, and the progress made towards production of the 2015/16 Statement of Accounts.

#### 3.0 Report Details

- 3.1 Work has already begun on preparing for the 2015/16 closure of accounts. The process is being led by the Corporate Finance Manager. The closedown timetable has been prepared for all staff involved in the process and a summary of the key dates is shown in Appendix 1.
- 3.2 A detailed closedown timetable has been circulated to all Service Managers and budget holders giving guidance on what is required from their services. Closedown updates will be circulated regularly and this will provide an update on the preparation of the financial statements.
- 3.3 During the period the finance team will liaise with the external auditor, Ernst & Young and have regular closedown meetings with the Head of Finance and Procurement to monitor progress.

- 3.4 The finance team will produce a first draft of the statements by 27 May 2016. This allows a period of three weeks for critical review and updating.
- 3.5 Members of the Audit Committee meet informally in the week commencing 27 June to review the draft statement immediately prior to the formal committee meeting.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The Audit Committee is recommended to note the progress in preparation of the Accounts for 2015/16.

## **5.0 Consultation**

None

## **6.0 Alternative Options and Reasons for Rejection**

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

Option 1: To request that Officers provide additional information on the accounting policies. This had been rejected because the policies have been drafted based on current accounting guidance.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no financial implications arising directly from this report. However, failure to produce draft accounts in accordance with the timetable may result in additional external audit fees.

Comments checked by:  
George Hill, Corporate Finance Manager  
01295 221731 [george.hill@cherwellandsouthnorthants.gov.uk](mailto:george.hill@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

- 7.2 Failure to produce accounts under compliant accounting policies will result in the 2015/16 Annual Statement of Accounts not being approved by the external auditor.

Comments checked by:  
Kevin Lane, Head of Law & Governance 0300 0030107  
[Kevin.Lane@cherwellandsouthnorthants.gov.uk](mailto:Kevin.Lane@cherwellandsouthnorthants.gov.uk)

### **Risk Management Implications**



7.3 Failure to produce accounts in accordance with the timetable may result in the 2015/16 Annual Statement of Accounts not being compliant for external audit review.

Comments checked by:

Louise Tustian, Senior Performance and Improvement Officer, 01295 221786

[louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

### **Equality and Diversity**

7.4 There are no equality and diversity issues arising directly from this report

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk)

## **8.0 Decision Information**

### **Wards Affected**

n/a

### **Links to Corporate Plan and Policy Framework**

n/a

### **Lead Councillor**

None

### **Document Information**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	2015/16 Closedown Timetable Summary
None	
<b>Report Author</b>	Paul Sutton, Head of Finance & Procurement
<b>Contact Information</b>	<a href="mailto:Paul.Sutton@Cherwellandsouthnorthants.gov.uk">Paul.Sutton@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

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**2015-16 YEAR-END SUMMARY TIMETABLE**

<b>Activity</b>	<b>Responsible Officer</b>	<b>2015-16 Deadline</b>
Communications to all Services	Denise Taylor,	Tues 8 Mar
Deadline for receiving invoices into Creditors	All Services	12noon Wed 23 Mar
<b>Deadline for authorising invoices for payment in 2015-16 on Agresso</b>	<b>All Agresso Authorisers</b>	<b>4pm Thurs 24 Mar</b>
<b>Deadline for raising Debtor invoices</b>	<b>All Services</b>	<b>4pm Tues 29 Mar</b>
Agresso closed to all Services	All Services	5pm Tues 29 Mar
<b>Purchase Orders for goods not received by 31 March to be rolled forward into the next financial year. Where the goods/services have been received and we do not have an invoice, a Goods Received Note needs to be produced on Agresso (by 29 March) and an accrual will be automatically raised.</b>	<b>All Services</b>	<b>Tues 29 Mar</b>
Creditors Final cheque and BACS payments run	Ruth Hopkins/David Symons	Tues 29 Mar
Debtors final run	Bev Conway/Sue Brennan	Thurs 31 Mar
Accounting period 12 closed on Agresso	Rachel Ainsworth	5pm Thurs 31 Mar
Fixed Asset Valuations & Impairments complete and sent to Finance	John Slack	Thurs 31 Mar
Petty Cash / Imprest accounts balanced and certificates returned to Finance	All Services	Thurs 31 Mar
Inventory Certificates returned to Finance	All Services	Thurs 31 Mar
<b>Deadline for submission of Accruals forms to Finance</b>	<b>All Services</b>	<b>5pm Fri 8 Apr</b>
<b>Final deadline for receipt of Internal Invoices</b>	<b>All Services</b>	<b>5pm Fri 8 Apr</b>
Deadline for all accruals to be processed	Bryan Eggbeer	Mon 11 Apr
All Capital projects finalised		Mon 11 Apr
Fixed Assets & Impairment to be completed by Finance	IT&PA	Mon 18 Apr
Period 13 Draft Budget Monitoring reports produced	Denise Taylor	Mon 18 Apr
Issue final period 13 Budget Monitoring Report for sign-off	Denise Taylor	Wed 4 May
Period 13 revenue accounts closed	Rachel Ainsworth	Wed 4 May
All Balance Sheet accounts closed and reconciled		Fri 13 May
"Draft" Statement of Accounts CDC		Fri 27 May
<b>Revenue/Capital Outturn to JMT</b>	<b>Paul Sutton</b>	<b>Wed 15 June</b>
Informal review of Statement of Accounts at AARC CDC		Wed 29 June
Sign "subject to audit" Statement of Accounts at AARC CDC		Wed 29 June
Whole of Government Accounts forms completed and returned to CLG		Mon 11 July
Revenue/Capital Out-turn forms completed and returned to CLG		Mon 11 July
Accounts on deposit advertised		July (TBC)
Public Inspection		July (TBC)
Audit of the Statement of Accounts 2015-16		(Starting) Mon 15 Aug
Sign-off final audited Statement of Accounts at AARC CDC		Wed 21 Sept

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## Cherwell District Council

### Accounts, Audit and Risk Committee

23 March 2016

#### Q3 Treasury Management Report

#### Report of the Head of Finance and Procurement

This report is public  
Appendix 1 is exempt from publication by virtue of paragraph 3 of Schedule 12A of  
Local Government Act 1972

#### Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2015/16 for Quarter 3 as required by the Treasury Management Code of Practice.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the Quarter 3 (Q3) Treasury Management Report

#### 2.0 Introduction

- 2.1 As part of the investment strategy and governance arrangements this committee considers the investment performance to date and our compliance with the Council's Treasury Management Strategy with regard to counterparties being used.
- 2.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates.
- 2.3 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management, reporting and performance assessment. The new annual strategy for Cherwell District Council was approved at full Council on 22 February 2016. The Council re-appointed Capita Asset Services (formerly Sector) as its Treasury Management Advisor in January 2013.
- 2.4 The highest standard of stewardship of public funds remains of the utmost importance to the Council. This document details the Council's management of

investments and treasury management activities during the first 9 months of 2015/16.

### 3.0 Report Details

#### 2015/16 Performance

- 3.1 As at the end of December the Council had £54.92m managed in-house (including Eco Town funds of £11.5m but excluding the outstanding Icelandic deposit) which fluctuates during the year. The Council regularly reviews each of these funds in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings. Appendix 1 details the split of in-house funds by category and banking group.

#### Update on Cherwell's Treasury Performance

- 3.2 The new Treasury Management Strategy for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2016 and it sets out the Council's investment priorities as being:

- Security of Capital; Liquidity; and Yield

- 3.3 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs. The Council also seeks out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses Capita's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector (this applies in particular to nationalised and semi nationalised UK banks).

- 3.4 **During the quarter ended 31st December, Capita Asset Services highlighted:** The first update on Q3 confirmed quarterly growth of 0.5%, but the breakdown showed that household spending has continued to provide the main support for growth.

Business investment posted a solid quarterly pick up to push annual growth to 6.6% and surveys indicate that this growth should continue.

Household spending proved resilient, having risen 0.8% for the third successive quarter. Retail sales volumes were equally healthy.

The housing market is gathering pace, with mortgage approvals increasing by an annualised 0.9% in October, and with excess demand, prices are likely to be pushed higher.

Strong employment gains in Q3 pulled the unemployment rate down to 5.3%, the lowest for 9 years. With the slowing of the annual earnings rate growth from 3.2% to 2.0% in September the output per worker has eased in Q3.

Inflation should pick up as the sharp decline in petrol prices drop out of the calculations. More stable oil prices should limit further falls in petrol prices. Overall analysts do not see inflation breaching the BoE target levels in 2016.

Interest rate expectations have been pushed back further with markets looking as far ahead as Q2 of 2017 for the first bank rate rise.

- 3.5 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes up to December 2015 was £65.9m funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.

3.6 **Investment performance for quarter ended 31<sup>st</sup> December 2015 was:**

<b>Fund</b>	<b>Funds invested</b>	<b>Interest Budget as</b>	<b>Actual Interest</b>	<b>Variance</b>	<b>Rate of return*</b>
In House	£54,916,000	£249,466	£270450	£20984	0.61%
<b>Total</b>	<b>£54,916,000</b>	<b>£249,466</b>	<b>£270450</b>	<b>£20984</b>	<b>0.61%</b>

*\*Rate of Return is calculated on an annualised basis*

- 3.7 At this point in the year we are currently projecting to be just ahead of budget. We have calculated the value of interest up to the end of December to include accrued interest on Gilts (only payable twice a year) and investments maturing after date.

**Icelandic Investments**

- 3.8 There is currently no further update in respect of funds remaining within Iceland. As reported previously, out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining capital balance of £729,000 along with associated interest relating to the investment is still held within Iceland and is accruing interest on an annual basis.

We continue to work with the LGA and Bevan Brittan on the potential for transfer to the UK.

**4.0 Conclusion and Reasons for Recommendations**

- 4.1 This report details the Treasury Performance for the Council for the Nine months ended 31 December 2015

## 5.0 Consultation

None

## 6.0 Alternative Options and Reasons for Rejection

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

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

## 7.0 Implications

### Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:  
George Hill, Corporate Finance Manager  
[george.hill@cherwellandsouthnorthants.gov.uk](mailto:george.hill@cherwellandsouthnorthants.gov.uk)

### Legal Implications

7.2 Presentation of this report is in line with the CIPFA Code of Practice.

Comments checked by:  
Kevin Lane, Head of Law & Governance 0300 0030107  
[Kevin.Lane@cherwellandsouthnorthants.gov.uk](mailto:Kevin.Lane@cherwellandsouthnorthants.gov.uk)

### Risk Management Implications

7.3 It is essential that this report is considered by AARC as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by:  
Louise Tustian, Senior Performance and Improvement Officer, 01295 221786  
[louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

### Equality and Diversity

7.4 There are no equality and diversity implications from this report.

Comments checked by:  
Caroline French, Corporate Policy Officer, 01295 221586  
[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk)



## 8.0 Decision Information

### Wards Affected

All wards are affected

### Links to Corporate Plan and Policy Framework

Links to all elements of Corporate Plan

### Lead Councillor

None

### Document Information

Appendix No	Title
Appendix 1	Schedule of In-house investments per category and banking group. - EXEMPT
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	<a href="mailto:Paul.sutton@Cherwellandsouthnorthants.gov.uk">Paul.sutton@Cherwellandsouthnorthants.gov.uk</a>

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# Agenda Item 13

Date	Agenda Items
23 March	External Audit Annual Plan Internal Audit Progress Report 2015/16, Annual Plan 2016/17 and Internal Audit Charter Corporate Fraud Q3 Corporate Risk Q3 Treasury Management Q3 Closedown Update Finance Improvement Plan
W/C 27 June	External Audit Progress Report External Audit Letter Internal Audit Progress Report Corporate Fraud - Annual Report Corporate Risk - Annual Report Treasury Management - Annual Report Annual Governance Statement Approval
21 September	External Audit Annual Results Report Statement of Accounts Approval Internal Audit Progress Report Corporate Fraud Q1 Corporate Risk Q1 Treasury Management Q1
30 November	External Audit Annual Audit Letter Internal Audit Progress Report Corporate Fraud Q2 Corporate Risk Q2 Treasury Management Q2 Treasury Management Strategy Finance Improvement Plan - Follow-up
25 January	External Audit Progress Report and Annual Certification of Grants Claims Internal Audit Progress Report
31 March	External Audit Audit Plan Internal Audit Progress Report and Audit Plan Corporate Fraud Q3 Corporate Risk Q3 Treasury Management Q3

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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