

# Public Document Pack



**Committee:** Accounts, Audit and Risk Committee  
**Date:** Wednesday 21 September 2016  
**Time:** 6.30 pm  
**Venue:** Bodicote House, Bodicote, Banbury, OX15 4AA

## Membership

<b>Councillor Mike Kerford-Byrnes (Chairman)</b>	<b>Councillor Ian Corkin (Vice-Chairman)</b>
<b>Councillor Hugo Brown</b>	<b>Councillor Sean Gaul</b>
<b>Councillor Barry Richards</b>	<b>Councillor Tom Wallis</b>
<b>Councillor Sean Woodcock</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 30 June 2016.

**6. Chairman's Announcements**

To receive communications from the Chairman.

**7. Internal Audit - Progress Report 2016/17 (Pages 7 - 18)**

Report of the Chief Finance Officer

**Purpose of report**

To receive PwC's progress report summarising their internal audit work to date.

**Recommendations**

The meeting is recommended to note:

1.1 The contents of the 2016/17 progress report

**8. External Audit: Audit Results Report 2015/16 (Pages 19 - 22)**

\*\* The appendices to this report will follow as they have not yet been provided by the external auditor\*\*

Report of the Chief Finance Officer

**Purpose of report**

To allow Members to consider the Ernst and Young LLP Results Report. This includes comments on the external audit of the 2015/16 Statement of Accounts.

**Recommendations**

The Accounts, Audit and Risk Committee is recommended to:

1.1 consider the matters raised in the report before approving the 2015/16 financial statements

1.2 note the adjustments to the financial statements set out in Ernst Young's report in appendix 1 (to follow).

1.3 approve the letter of representation on behalf of the Council as set out in appendix 2 (to follow).

**9. Statement of Accounts 2015/16 (Pages 23 - 26)**

\*\* The appendices to this report will follow as they need to be reviewed following receipt of the external auditor reports\*\*

Report of the Chief Finance Officer

### **Purpose of report**

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee on the audited Statement of Accounts 2015/16.

### **Recommendations**

The Accounts, Audit and Risk Committee is recommended to

1.1 Approve the amendments to the draft 2015/16 financial statements.

## **10. Changes to the Arrangements for Appointment of External Auditors (Pages 27 - 32)**

Report of the Chief Finance Officer

### **Purpose of report**

This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

### **Recommendations**

That Accounts, Audit and Risk Committee should consider their preferred approach from the following options and make a recommendation to Council in order to make a first appointment by 31 December 2017:

- 1.1 Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
- 1.2 Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities
- 1.3 Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to “opt-in”

## **11. Corporate Fraud Team Update (Pages 33 - 102)**

Report of Chief Finance Officer

### **Purpose of report**

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team including a progress report for quarter one of 2016-2017 and feedback from recent Corporate Fraud awareness presentations.

### **Recommendations**

- 1.1 To note the contents of the report and to endorse plans for a further fraud awareness session for elected members.

**12. First Quarter Risk Review 2016-17 and revised Shared Risk & Opportunities Management Strategy** (Pages 103 - 144)

Report of Director - Strategy and Commissioning

**Purpose of report**

To update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2016/17, to present the revised Risk & Opportunities Management Strategy and to report recommendations from the 2015/16 Risk Audit.

**Recommendations:**

The meeting is recommended to:

- 1.1 Review the full Strategic, Corporate and Partnership Risk Register for 2016/17 and identify any issues for further consideration or referral to Executive.
- 1.2 Note the risk exceptions highlighted and proposed actions.
- 1.3 Consider the impact of the EU referendum vote result and implications on existing or newly identified emerging risks.
- 1.5 Note recommendations and actions arising from the 2015/16 Risk Audit.
- 1.6 Agree the revised Risk and Opportunities Management Strategy for 2016/17.

**13. Quarter 1 Treasury Management Report** (Pages 145 - 150)

Report of the Chief Finance Officer

**Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy for 2016/17 as required by the Treasury Management Code of Practice.

**Recommendations**

- 1.1 To note the contents of the Quarter 1 Treasury Management Report

**14. Work Programme** (Pages 151 - 152)

To review the Committee Work Programme.

## 15. **Exclusion of the Press and Public**

The following reports contain 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(s) have 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 items 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.”

## 16. **Quarter 1 Treasury Management Report - Exempt Appendix** (Pages 153 - 154)

## 17. **Finance Improvement Plan - Update** (Pages 155 - 158)

\*\*The appendix to this report will follow as it is currently being reviewed and finalised\*\*

Exempt Report of the Chief Finance Officer

**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 227956 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 Aaron Hetherington, Democratic and Elections  
[aaron.hetherington@cherwellandsouthnorthants.gov.uk](mailto:aaron.hetherington@cherwellandsouthnorthants.gov.uk), 01295 227956

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

Published on Tuesday 13 September 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 30 June 2016 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)  
Councillor Ian Corkin (Vice-Chairman)

Councillor Hugo Brown  
Councillor Sean Gaul  
Councillor Nigel Randall  
Councillor Barry Richards  
Councillor Tom Wallis  
Councillor Sean Woodcock

Also Present: Councillor Barry Wood, Leader of the Council  
Councillor Ken Atack, Lead Member for Financial Management  
Stephen Bladen, Manager, Ernst Young (external audit)

Officers: Paul Sutton, Chief Finance Officer / Section 151 Officer  
Edward Bailey, Corporate Performance Manager  
Denise Taylor, Corporate Accountant  
James Doble, Interim Assistant Director Transformational Governance

#### 3 **Declarations of Interest**

Members made the following general declarations of interest:

Councillor Ian Corkin, declaration, as a board member of Graven Hill Village Development Company.

Councillor Nigel Randall, declaration, as a shadow board member for Cherwell Community Build

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

There were no petitions or requests to address the meeting.

#### 5 **Urgent Business**

There were no items of urgent business.

6 **Minutes**

The minutes of the meetings of the Committee held on 23 March 2016 and 17 May 2016 were agreed as correct records and signed by the Chairman.

7 **Chairman's Announcements**

There were no Chairman's announcements.

8 **External Audit: Progress Update 2015/16**

The Chief Finance Officer submitted Ernst Young's report briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17.

**Resolved**

- (1) That the briefing on Value for Money audit – Code of Audit Practice 2015 and Council Annual fee letter 2016/17 from Ernst Young be noted.

9 **External Audit Letter to the Committee**

The Chief Finance Officer submitted a report to inform members of the response to the Ernst Young letter to the Chairman of this Committee.

**Resolved**

- (1) That the response to external audit's request for management assurances from Those Charged With Governance be approved.

10 **Internal Audit - Annual Report for 2015/16, Progress Report 2016/17 and Internal Audit Charter**

The Chief Finance Officer submitted PwC's annual report for 2015/16 and progress report summarising their internal audit work for 2015/16 and for 2016/17 to date and the Internal Audit Charter.

**Resolved**

- (1) That the 2015/16 Internal Audit annual report, progress report and Internal Audit Charter be noted.

11 **Corporate Fraud Team Update**

The Chief Finance Officer submitted a report to provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team including an end of year report for 2015-2016 and a new business plan for 2016-2017. The report also asked members to endorse the joint



Whistleblowing and Anti-Fraud and Anti-Corruption Policies which have been reviewed and to endorse the new Fraud Response Plan Policy.

In the course of discussion members thanked officers for the amended policy wording and requested that future reports should also include the number of properties rebilled as a result of investigations.

**Resolved**

- (1) That the contents of the report including the end of year report and the new business plan for 2016-2017 be noted.
- (2) That the changes to the joint Whistleblowing and Anti-Fraud and Anti-Corruption Policies and the new Fraud Response Plan Policy be endorsed.

12 **Fourth Quarter Risk Review 2015/16 and 2016/17 Shared Risk & Opportunities Management Strategy**

The Director - Strategy and Commissioning submitted a report to update the Committee on the management of Strategic, Corporate and Partnership risks during the fourth and final quarter of 2015/16, to present the 2016/17 Risk & Opportunities Management Strategy review and to provide an update on the Risk Training programme.

**Resolved**

- (1) That the quarter four Strategic, Corporate and Partnership Risk Register and the revised Risk and Opportunities Management Strategy for 2016/17 be noted.

13 **Q4 Treasury Management Report**

The Chief Finance Officer submitted a report on treasury management performance and compliance with treasury management policy for 2015/16 as required by the Treasury Management Code of Practice.

**Resolved**

- (1) That the contents of the final Quarter Treasury Management Report be noted.
- (2) That the update of the Icelandic redemption be noted.

14 **Annual Governance Statement 2015/16**

The Chief Finance Officer submitted the Annual Governance Statement, which would be considered at the same time as the Statement of Accounts for 2015/16.

**Resolved**

- (1) That the Annual Governance Statement 2015/16 be noted and endorsed.

15 **Statement of Accounts 2015/16**

The Chief Finance Officer submitted a report to consider and endorse the pre-audit Statement of Accounts for 2015-16.

In the course of discussion it was confirmed that the capital programme would be submitted to a future meeting of the Committee for consideration.

**Resolved**

- (1) That the carry forward of budget underspends from 2015/16 to 2016/17 (annex to the Minutes as set out in the Minute Book) be approved.
- (2) That the balances on capital schemes which had slipped in 2015/16 to be carried forward into the 2016/17 capital programme (annex to the Minutes as set out in the Minute Book) be approved.
- (3) That the Statement of Accounts be noted.
- (4) That the verbal update on the outcomes from the informal review of the Statement of Accounts undertaken on 30 June immediately prior to the formal meeting at 5.00pm be noted.

16 **Review of Committee Work Programme**

The Committee considered its work programme for 2016/17.

**Resolved**

- (1) That the work programme be noted.

17 **Exclusion of Press and Public**

**Resolved**

That the press and public be excluded as exempt information as defined in the paragraph 3 of Part 1, Schedule 12A of Local Government Act 1972 is likely to be made known.

18 **Q4 Treasury Management Report - Exempt Appendix 1 and 2**

**Resolved**

- (1) That the exempt appendices be noted.

19 **Finance Improvement Plan - Update**

The Chief Finance Officer submitted an exempt report which presented an update to the Finance Improvement Plan, which was an outcome of the KPMG Review of NNDR Overpayment report adopted by this Committee on 20 January 2016.

**Resolved**

- (1) That the progress made thus far in delivering the Finance Improvement Plan and the remaining actions be endorsed.

The meeting ended at 8.41 pm

Chairman:

Date:

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## Cherwell District Council

### Accounts Audit and Risk Committee

21 September 2016

#### Internal Audit – Progress Report 2016/17

#### Report of the Chief Finance Officer

This report is public

#### **Purpose of report**

To receive PwC's progress report summarising their internal audit work to date.

#### **1.0 Recommendations**

The meeting is recommended to note:

- the contents of the 2016/17 progress report

#### **2.0 Introduction**

2.1 Internal Audit undertakes its work in line with their Audit Plan issued in March 2016.

#### **3.0 Report Details**

3.1 Internal Audit is on track to deliver its planned programme of work for the 2016/17 year see Appendix 1.

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

4.1 The annual report and progress report summarise 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:

Ed Bailey, Corporate Performance Manager, 01295 221605

[edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@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 2016/17
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
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

September 2016

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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 8 September 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 internal audit plan**

We presented our annual report to the June meeting of the committee. We are pleased to report that all prior year reports have now been finalised and two are in the process of being finalised, with delay only caused by annual leave. We will provide a verbal update on these at the committee meeting with the expectation that these will have been issued as final at that point.

There has been no change to the overall risk ratings of reviews from the information as reported in our annual report.

The following additional prior year reviews relating to the areas requested as part of the joint finance improvement plan have now also been finalised. We have summarised our key findings below.

### **NNDR Follow Up**

Our key findings were in line with previous reports and updates received by the committee on this matter.

During our review we found that the process for calculating the NNDR figures and journals are generally strong and there is a good review process around this.

The main control weakness identified was that debtors can be raised through a journal on the ledger without any debt recovery action being triggered. The journal bypasses the standard debt recovery processes and therefore is not monitored or reported through standard aged debt review controls which comes directly from the sales ledger.

The specific transaction in question (but could also affect other transactions of a similar nature) was then not subsequently picked up and cleared through standard sales ledger processes for raising and recovering debt or through annual accounts preparation and review.

We also observed insufficient communication between finance staff which resulted in the issue not being escalated in a timely manner, exacerbated by staff turnover throughout the periods concerned.

We have recommended the Council consider the following:

- When a debtor journal is raised, a copy should be sent to the debt recovery team so it can be added to the aged debt analysis or alternatively income journals are reviewed on a monthly basis to ensure any non-reversing manual postings are appropriate.
- An annual review of debtors and recoverability is performed (and reconciled to the draft financial statements debtor balance) before the draft accounts are presented to the Accounts, Audit and Risk Committee or external audit.
- Legislation around NNDR is monitored formally on a quarterly basis for changes in regulation and legislation and any implications for current receivables and payables balances recognised.

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### **Reconciliations Follow Up**

We understood and tested the Council's key reconciliations over council tax, NNDR, creditors, debtors, payroll, cash, and income and expenditure reconciliations.

Our overall comments are:

- Reconciliations are being performed across all key areas and staff have understanding of the reconciliations being performed.
- There is a lack of standard or consistent policies and procedures for reconciliations - some have guidance notes (Council Tax, NNDR) some do not (creditors, payroll, debtors), and there is no over-arching policy or procedures for reconciliations as a whole.
- No documented summary of what the Council views as its key reconciliations (for example: by system and type) and therefore key purpose and risks these are addressing.
- Expectations around frequency and when these should be completed and reviewed (for example: if monthly within 2 weeks, weekly within 3 days and does that vary by area as different risks?).
- How completion or review is evidenced, as continued drive to move to more paperless processes (for example: comments inserted in soft copy reconciliations with follow up or actions taken when performing the reconciliations, electronic sign off or hard copy summary sheet).
- Expected escalation process (for example: to person or role by area and whether there are different escalation processes) and what things should be escalated (for example: same items reconciling for over 3 months, or above a specific value that is unusual or unexpected).

We have regularly highlighted issues and made recommendations about reconciliations across the Council's financial ledgers. Each recommendation is on its own generally low risk, but when taken together could be evidence of wider control weaknesses and breakdowns or underlying compliance issues. This is compounded by resourcing pressures- we find that the basics are the easiest and first to be forgotten but can be the most critical to the specific business processes.

### **2016/17 internal audit plan**

We presented our plan in March and June to the committee, subsequent to that meeting we have held some additional meetings with the Chief Executive, Chief Finance Officer and two directors over a couple of days during August.

Subsequent to those meetings we have reflected and have proposed revisions to the plan to reflect these discussions and updates. We are in the process of fully working up a planned response and whether this reflects the best input and value for the Council from Internal Audit for the remainder of the 2016/17 plan.

We will update the committee at its meeting with relevant updates and proposed changes of focus to the 2016/17 plan that are being discussed.

### **Reviews undertaken**

Given the timings of these discussions and subsequent final agreement with the Chief Finance Officer we have delayed starting the reviews that were scheduled for quarter 2, as these are now being modified in terms of focus and scope.

We have delivered the review around the planning department that was deferred from the 2015/16 plan.

### ***Planning applications***

Onsite fieldwork has been completed and is now in our review process and agreement of findings before issuing our draft report. There are no individually critical or high risk rated issues or in aggregate overall report rating, identified at present.

## ***Additional work***

### ***NNDR 3 Agreed Upon Procedures***

We were engaged to provide some additional support to supplement the Council's process for self-certification of its NNDR return.

Our work has now been completed and we have discussed the main findings with the Council. We are currently going through our internal review of the draft report and intend to issue our formal draft report in the week commencing 12 September.

There were no matters noted that would impact the return or the financial statements above an agreed threshold of £20,000 from the samples selected and any agreed extrapolation.

We will update the committee verbally at the meeting.

### ***Fraud Workshops***

We have also supported the delivery of fraud awareness workshops alongside the Councils counter fraud team on 27 July and 2 August. These were designed to support the Council in its fraud awareness programme as part of its Corporate Fraud Teams Business Plan and Strategy.

## ***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 <http://www.pwc.com/gx/en/industries/government-public-services/public-sector-research-centre.html> 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

### ***New publications since March 2016***

#### ***Local State We’re In 2016***

While the challenges that local government faces are no doubt still significant, the shift in feeling that has emerged in the sixth edition of our local government survey is one of a sector on the move; finding innovative new ways of working, looking for new opportunities and forming new partnerships.

However, as they look to 2020, the focus must be on ensuring they have the capacity and capability to deliver on their ambitions.

#### ***Beyond control – local government in the age of participation***

The past five years has seen a period of unprecedented change for local authorities in the UK. Councils have been pushed to the point where they are having to ask fundamental questions about their place in society. Communities too are undergoing rapid change, and many have begun to use digital platforms to reinforce local connections and create new opportunities for participation. As is the case with forward thinking organisations in all industry sectors, the leading local authorities are already considering how best to support and harness this capacity.

The councils that will be most successful in the future will seek to take advantage of these changes by letting go of traditional approaches to control. They will focus instead on strategies to share the responsibility of leadership. They will lead by influencing and facilitating, by devolving certain functions and by developing the digital enablers that will encourage greater community participation and resilience. Our Talking Points, Beyond control, suggests five areas where councils should focus on to harness the power of participation.

#### ***Previously publications highlighted.***

#### ***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.

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## Cherwell District Council

### Accounts Audit and Risk Committee

21 September 2016

<b>External Audit: Audit Results Report 2015/16</b>
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### Report of the Chief Finance Officer

This report is public

#### **Purpose of report**

To allow Members to consider the Ernst and Young LLP Results Report. This includes comments on the external audit of the 2015/16 Statement of Accounts.

#### **1.0 Recommendations**

The Accounts, Audit and Risk Committee is recommended to:

- consider the matters raised in the report before approving the 2015/16 financial statements
- note the adjustments to the financial statements set out in Ernst Young's report in appendix 1 (to follow).
- approve the letter of representation on behalf of the Council as set out in appendix 2 (to follow).

#### **2.0 Introduction**

2.1 Ernst Young's report highlights their work for the financial year 2015/16. The external auditor gives an opinion on the Council's financial statements and reviews the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### **3.0 Report Details**

3.1 The draft Audit Results Report is attached in Appendix 1 (to follow). The Auditor's opinion of the financial statements relate to the Statement of Accounts, adopted by this Committee in June 2016.

3.2 It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2015/16 financial statements.

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

- 4.1 The Accounts, Audit and Risk Committee needs to consider the external auditor's Audit Results Report before approving the 2015/16 financial statements.

## **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 251731

[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 implications arising directly from any outcome of this report.

Comments checked by:

Ed Bailey, Corporate Performance Manager, 01295 221605

[edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@cherwellandsouthnorthants.gov.uk)

## Equality and Diversity

- 7.4 Impact assessments will be carried out in advance of formulation of budget proposals.

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 Results Report (to follow)
Appendix 2	Letter of Representation (to follow)
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	0300 0030106 <a href="mailto:Paul.sutton@cherwellandsouthnorthants.gov.uk">Paul.sutton@cherwellandsouthnorthants.gov.uk</a>

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## Cherwell District Council

### Accounts Audit and Risk Committee

21 September 2016

<b>Statement of Accounts 2015/16</b>
--------------------------------------

### Report of the Chief Finance Officer

This report is public

#### Purpose of report

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee on the audited Statement of Accounts 2015/16.

#### 1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended to approve the amendments to the draft 2015/16 financial statements.

#### 2.0 Introduction

2.1 The preliminary “subject to audit” Statement of Accounts 2015/16 was reported to the Committee at its June meeting.

#### 3.0 Report Details

3.1 Appendix 1(to follow) lists the changes that have been made from the preliminary “subject to audit” version circulated on 29 June. The majority of the changes are primarily presentational.

3.2 These amendments have been agreed with the auditor and the changes have been included in the revised accounts (Appendix 2 – to follow).

3.3 It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2015/16 financial statements.

#### 4.0 Conclusion and Reasons for Recommendations

4.1 The Accounts, Audit and Risk Committee needs to approve the amendments to the 2015/16 financial statements before the accounts can be signed and published.

#### 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 changes to the draft accounts. Not supported any as changes to the draft accounts would be subject to external audit.

## **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:

Ed Bailey, Corporate Performance Manager, 01295 221605  
[edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@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 Trail of Changes 2015/16 (to follow)
Appendix 2	Statement of Accounts 2015/16 (to follow)
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
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

### Accounts Audit and Risk Committee

21 September 2016

<b>Changes to the Arrangements for Appointment of External Auditors</b>
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### Report of the Chief Finance Officer

This report is public

#### Purpose of report

This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

#### 1.0 Recommendations

That Accounts, Audit and Risk Committee should consider their preferred approach from the following options and make a recommendation to Council in order to make a first appointment by 31 December 2017:

- 1.1 Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
- 1.2 Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities
- 1.3 Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to "opt-in"

#### 2.0 Introduction

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local authorities and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

- 2.2 The Council's current external auditor is Ernst & Young, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are approximately £85,000 per annum.
- 2.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local authorities and offered maximum economies of scale.
- 2.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

### **3.0 Report Details**

#### **Options for local appointment of External Auditors**

- 3.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

#### **Option 1: To make a stand-alone appointment**

- 3.2 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly independent or have a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

#### ***Advantages/benefit***

- 3.3 Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

### ***Disadvantages/risks***

- 3.4 Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
- 3.5 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 3.6 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

### **Option 2: Set up a Joint Auditor Panel and local joint procurement arrangements**

- 3.7 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or mainly independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council will need to liaise with other local authorities to assess the appetite for such an arrangement.

### ***Advantages/benefits***

- 3.8 The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 3.9 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the potential auditors.

### ***Disadvantages/risks***

- 3.10 The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 3.11 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out consultancy or advisory work for the Council. In these circumstances some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

### **Option 3: Opt-in to a sector led body**

- 3.12 In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

### ***Advantages/benefits***

- 3.13 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities

- 3.14 By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- 3.15 Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- 3.16 The appointment decision would not be made by a locally appointed independent panel. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities would decide. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

#### ***Disadvantages/risks***

- 3.17 Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- 3.18 In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

#### **The way forward**

- 3.19 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 3.20 The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Economies of scale will increase number of councils acting collectively and opting-in to a SLB increases. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage

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

- 4.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Council/Committee is asked to give early consideration to the preferred approach.
- 4.2 The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having to potential to negotiate lowest fees.

## **5.0 Consultation**

None

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

- 6.1 The Local Audit and Accountability Act 2014 requires the Council to adopt one of the options contained in the report.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 Current external fees levels are likely to increase when the current contracts end in 2018.
- 7.2 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2017/18. This will include the cost of recruiting independent appointees, servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 7.3 Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would reduce the costs of establishing an auditor panel

Comments checked by:

George Hill, Corporate Finance Manager, 01295 221731

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

### **Legal Implications**

- 7.4 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 and Schedule 3 provide that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements and that the appointment decision is a matter for full council.
- 7.5 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 7.6 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Comments checked by:

Kevin Lane, Head of Law & Governance 01295 221000 0030107

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

## Risk Management Implications

- 7.7 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

Comments checked by:

Ed Bailey, Corporate Performance Manager, 01295 221605

[edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@cherwellandsouthnorthants.gov.uk)

## Equality and Diversity

- 7.8 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
None	
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	<a href="mailto:Paul.Sutton@Cherwellandsouthnorthants.gov.uk">Paul.Sutton@Cherwellandsouthnorthants.gov.uk</a> 0300 003 0106

## Cherwell District Council

### Accounts, Audit and Risk Committee

21 September 2016

#### Corporate Fraud Team Update

#### Report of Chief Finance Officer

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 including a progress report for quarter one of 2016-2017 and feedback from recent Corporate Fraud awareness presentations.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report and to endorse plans for a further fraud awareness session for elected members.

#### 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. The report includes a summary of the performance for quarter one of 2016-2017 and feedback from the recent Corporate Fraud presentations. Members are also asked to consider a proposal to offer a similar Corporate Fraud awareness session to elected members.

#### 3.0 Report Details

##### Background

- 3.1 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 over 12 months with the aim of protecting both Councils from fraud and error and to protect public funds.

### **Corporate Fraud Team**

- 3.3 As members are aware 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 SCFI has been on maternity leave for 12 months and an experienced temporary Senior Investigator provided cover. The SCFI is returning to work with effect from 12<sup>th</sup> September 2016 and there will be a hand-over period as the Interim Senior prepares to leave the Councils. An additional resource is still in place funded by the DCLG grant.

### **Performance for quarter one 2016-2017**

- 3.4 A Business Plan was agreed to underpin the work of the team during 2016-2017. The aim of the plan is to outline the responsibilities of and objectives for the team over the next 12 months. Progress against the plan is monitored and the feedback for Quarter 1 is shown as Appendix One of this report. The highlights are as follows.
- The Council proactively takes part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise comparing records held by the Council against other data held by the Council and other bodies. NFI matches are split into two distinct areas: flexible matching and standard NFI matching. Cherwell has received 3,600 matches for Council Tax and Housing Benefit and, at the time of writing this report, 1550 of the matches have been looked at and either closed or further information has been requested. It is expected that some of these matches will be referred for further investigation.
  - The team currently have 49 cases open for investigation for Cherwell District Council and a further 21 for South Northants. Included in the 49 cases are 44 Council Tax investigations (29 Council Tax Reduction fraud, 2 liability fraud and 13 single person discount fraud), 2 social housing investigations, 1 internal investigation and 2 Housing Benefit joint investigations
  - In Quarter one savings of £4,384 have been realised for Cherwell District. This includes increases in Council Tax liability of £1,492, Council Tax Reduction of £1,809.36 and Single Person Discount/Exemption fraud of £1,167. The remainder is Housing Benefit fraud where overpayments have been identified.
  - The Council is committed to publicising the corporate fraud team and its activities as well as the message that fraud will not be tolerated. During Quarter One an article was placed in the Council's In Brief publication with the aim of promoting the team and encouraging attendance at the awareness sessions. An article has also been placed in the summer edition of Cherwell Link which is delivered to all households across the district.



- 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. At the time of writing this report ICT have confirmed that the server required to host Trust ID has been built and Trust ID will shortly be issued with the connection string. PCs have been identified to host the scanners. Training sessions for staff will take place on 22<sup>nd</sup> September.
- One of the main objectives for the team was to develop working with key partners. During quarter one the team has continued to work with a number of internal and external partners including internal and external audit, Department for Work and Pensions, HMRC, National Fraud Agency, Social Housing landlords and our own Legal, Revenues, Housing and Planning teams. .
- 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 has continued throughout quarter one.

### **Corporate Fraud and Internal Audit Awareness sessions.**

- 3.5 The first Corporate Fraud and Internal Audit awareness presentations took place on 27<sup>th</sup> July 2016 at SNC and 2<sup>nd</sup> August 2016 at CDC. The aim of the session was to promote the role of the Corporate Fraud team, to outline how referrals can be made and the results the team collate and to outline the role of Internal Audit and how their role contributes to the aims of the Corporate Fraud team.
- 3.6 Both sessions were well attended and some positive feedback has been received from some staff who confirmed that they now have a greater understanding of the role of the team and how they as individuals can contribute to the work the team do. Copies of the presentations are shown at Appendix B of this report.
- 3.7 The team would like, with the approval of this Committee, to offer a similar awareness session for elected members at both Councils with the aim of increasing awareness of the role of the team.

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

- 4.1 Members are asked to note the contents of this report and to endorse plans for a Corporate Fraud Awareness sessions for elected members.

## **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 Cabinet.

## **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:  
Paul Sutton, Chief Finance Officer  
paul.sutton@cherwellandsouthnorthants.gov.uk

### **Legal Implications**

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

Comments checked by:  
Kevin Lane, Head of Law and Governance  
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 Management

## Document Information

<b>Appendix No</b>	<b>Title</b>
A	<i>Corporate Fraud Business Plan 2016-2017 Q1 update</i>
B	<i>Presentations</i>
<b>Background Papers</b>	
None	
<b>Report Author</b>	Belinda Green (Joint Revenues and Benefits Manager)
<b>Contact Information</b>	Belinda Green 01327 322182 belinda.green@cherwellandsouthnorthants.gov.uk

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## Appendix A



### **Corporate Anti-Fraud Business Plan**

**2016-2017**

### **Contents**

1. Introduction
2. Aims and objectives
3. Working in partnership
4. Responsibilities
5. Current and emerging risks
6. Approach
7. Corporate Fraud team focus in 2016-2017
8. Service plan

# 1. Introduction

The year 2016-2017 will continue to be a year of further development and enhancement in the field of corporate anti-fraud activity at South Northants and Cherwell District Councils.

Local authorities have a duty to safeguard public funds and to ensure that any public money is used appropriately. South Northants and Cherwell District Councils have a zero tolerance to fraud and error.

The Councils recognise that fraud and corruption are costly both in terms of reputational risk and financial loss. The Councils have a number of policies and procedures which underpin the Council's anti-fraud and anti-corruption activities including:

- Internal Audits and controls. These are undertaken by Price Waterhouse Cooper (PwC) external auditors in accordance with the requirements of the Accounts and Audit Regulations 1996 and associated guidelines.
- External Audits are carried out by Ernst Young and the auditor undertakes a planned programme of work across the two authorities.
- National Fraud Initiative (NFI). As part of the annual external audit process, the authorities are required to participate in the National Fraud Initiative. The Councils provide data from their systems which is matched with that of other authorities and agencies to identify possible fraud.
- Whistleblowing Policy. The Councils Whistleblowing Policy enables employees to report concerns without fear of reprisal. This joint Policy was reviewed in March 2016.
- Money Laundering Policy. There have been significant changes to the legislation governing money laundering. The Money Laundering Policy places responsibility on all employees to report any suspicious financial activity and on the Reporting Officer to ensure suspicions are investigated.
- The National Anti-Fraud Network (NAFN). NAFN is a central point of contact for authorities to exchange information across the country and obtain intelligence relating to allegations of fraud. The Councils are members of NAFN.
- Fraud Response Plan Policy. This details instructions on reporting suspicions, how investigations are done and investigations. The Joint Response Plan was drafted and endorsed by members in March 2016.
- Prosecution and Sanctions Policy
- Anti-Fraud and Anti-Corruption Policy
- Anti-Bribery Policy

This plan has been produced to document the work of the Corporate Fraud team and outline the objectives for the team in 2016-2017.

## **2. Aims and objectives**

The Corporate Fraud team was created in April 2015 and forms part of the Welfare and Debt Advice team in the Finance Division. It is a joint team and consists of two officers; a Senior Corporate Fraud Investigations Officer and a Corporate Fraud Investigations Officer. The aim and objectives of the team are as follows:

- Create and promote a robust “anti-fraud” culture across the organisations, highlighting the Council’s zero tolerance of fraud, bribery and corruption.
- Encourage individuals to report suspicions of fraudulent or corrupt behaviour and the means to do this.
- Develop the new team as we leave behind Housing Benefit fraud and develop a wider corporate anti-fraud service for both Councils. This includes training and development for the officers.
- Taking advantage of the shared services arrangements to develop the team and to promote fraud and error awareness and prevention across the two Councils.
- Further develop IT systems to support the work of the team
- Strengthen the fraud and error management processes and governance by reviewing the supporting policies and procedures seeking agreement for any changes from Audit Committee at both Councils
- Work with partners and other investigative bodies to strengthen and continuously improve resilience to fraud and corruption.
- To investigate allegations of fraud in a timely manner, when they are reported, to ascertain if there is any evidence to support the allegation. To deal with offenders under the Councils Prosecution & Sanction Policy.

## **3. Working in partnership**

The Corporate Fraud team will proactively work with all services within the Councils to offer an anti-fraud and error service and to identify and investigate any fraudulent activity.

The team will also liaise with other external partners and agencies such as:

- Internal and External Audit
- The DWP
- HM revenues and Customs
- Housing Associations

- The Police
- National Fraud Agency
- Other Local Authorities
- Fraud Liaison groups across Northamptonshire and Oxfordshire
- Any other organisations

## **4. Responsibility**

The Monitoring Officer has overall responsibility for the operation of the overarching policies in liaison with the Chief Executive, Audit, and the Head of Transformation/HR. From a statutory perspective the duty to prevent and detect fraud lies with the Chief Finance Officer as set out in Section 151 of the Local Government Act 1972

The Internal Auditor is charged with ensuring that the strategy and policies and procedures deliver what is required.

All managers are responsible for fraud risk management in their own particular service area with support from the Joint Management Team.

## **5. Current and Emerging Risks**

### **Council Tax Reduction/Discounts**

Despite the transfer of housing benefit investigations to SFIS it is still likely that the related Council Tax Reduction and other discounts will continue to be a key fraud risk facing the Councils. Nationally a third of households claim single person discount on Council Tax, although this varies significantly between individual councils. In addition to our participation in the National Fraud Initiative (periodical data matching exercises between various datasets) we have undertaken additional exercises ourselves or in collaboration with others

### **Business Rates fraud/evasion**

The vast majority of ratepayers pay the business rates that they should pay. However, there are a small minority who avoid paying the business rates that are due. This imposes an unfair burden on others and prevents the Council from maximising income. The Corporate Fraud Team is committed to prevent this loss of income.

Across the two councils there is a strong and effective inspection regime in place and the Corporate Fraud team continue to work with and support the work of the team.



## **Housing and Tenancy Fraud**

Housing tenancy fraud is defined as:

- Subletting a property for profit to people not allowed to live there under the conditions of the tenancy;
- Providing false information in the housing application to gain a tenancy;
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant; or
- Failing to use a property as the principal home, abandoning the property, or selling the key to a third party.

## **Insurance fraud**

Nationally this continues to rise but this may be due to the result of greater attention being given to such fraud in recent years by local authorities. From the perspective of SNC and CDC the number and value of claims is low and are being effectively managed in collaboration with insurers

## **Council Housing Grants/Disabled Facilities Grants**

Nationally councils look to provide grants to home owners or tenants or landlords to improve their homes. Examples are Disabled Facilities Grants, essential repairs grants, small repairs service, energy efficiency project (CHEEP, landlord home improvement grant, Warm front grant, and flexible home improvement loan.

## **6. Approach to Anti-Fraud**

**Prevent:** Anyone who works for, or with the Council has a responsibility for ensuring public funds and resources are being used appropriately. SNC and CDC promote a zero tolerance culture to fraud, bribery and corruption.

Prevention will focus on the identification and routine evaluation of fraud risks to understand specific risks, developing an anti-fraud culture to increase resilience to fraud, prevent fraud through robust internal controls and developing networks to facilitate partnership working.

On-going assurance will be provided by Internal Audit's planned audit work and fraud activity will be focused on those fraud risks that are of a high priority or where residual risks have been identified.

SNC and CDC recognise the importance of deterring individuals from committing fraud, bribery and corruption by publicising the Council's anti-fraud and corruption stance. The use of the media to highlight cases of fraud prosecutions and preventions to ensure the public are aware and encouraged to report instances of fraud).

**Detect:** Measures need to be in place to ensure any suspicious activity is detected and reported for investigation. This will be supported by data and intelligence sharing, using techniques such as data matching, effective whistleblowing arrangements, effective referral process and utilising the experience and skills of staff.

**Promote:** SNC and CDC recognise the importance of deterring individuals from committing fraud, bribery and corruption by publicising the Council's anti-fraud and corruption stance, applying sanctions including internal disciplinary, regulatory and seeking redress including recovery.

## **7. The Corporate Fraud team's focus in 2016-2017**

- Council Tax (Reduction Scheme and discounts)
- National Fraud Initiative matches for both Councils
- To be a single point of contact for DWP SFIS team
- Housing Benefit Matching Services
- Housing Fraud
- Procurement
- Grants
- Promoting an anti-fraud and corruption culture
- Any other emerging fraud threats and issues.

## **8. Performance Measures and reporting**

The team will measure success by the following:

- Monitoring the level of National Fraud Initiative matches received and measure the results (outputs) to show success rates.
- Reporting to the Welfare and Debt Advice Manager on a regular basis on key findings. This will in turn be reported to the Finance Management team and the Chief Finance Officer.
- Production of a quarterly report to both Audit Committees
- Providing results to other bodies as required.



**South Northants and Cherwell District Councils**

**Corporate Fraud Business Plan 2016-2017**

**Quarter One update**

**Prevent**

<b>Objective</b>	<b>Actions required:</b>	<b>Desired Outcomes</b>	<b>Update for Quarter One</b>
<p><u>Objective One</u></p> <p>To prevent fraud through the implementation of appropriate and robust internal control measures.</p>	<p>Robust internal audit plan with audit inspections</p> <p>Review procedures and policies by service managers</p> <p>To constantly review the measures put in place, in order to keep abreast of changing fraud trends</p>	<p>An improved internal control environment</p> <p>Managers will give due consideration to the risks of fraud, bribery and corruption when writing new or updating existing policies, strategies or procedures to help prevent fraud</p>	<p>The Joint Sanctions and Prosecution Policy has been reviewed as is currently being reviewed by Legal. It will be presented to the next meeting of Accounts, Audit and Risk Committee at Cherwell and to Audit Committee at SNC</p>

Objective	Actions required:	Desired Outcomes	Update
<p><u>Objective two</u></p> <p>To increase fraud awareness amongst employees, Members and customers</p>	<p>Undertake fraud awareness training</p> <p>Continue to disseminate fraud warnings to managers and staff</p> <p>E learning to be investigated</p> <p>Website updates</p> <p>Policies/procedures</p> <p>Service plans and risk plans to be looked at</p>	<p>Strong anti-fraud culture across two organisations</p> <p>Increased awareness of threat of fraud</p> <p>Understanding of responsibilities</p>	<p>Fraud awareness sessions for staff have been held across both Councils in July and August 2016 This included a presentation from PwC on the role of Internal Audit.</p> <p>The team are currently seeking approval for a similar presentation for elected members</p>
<p><u>Objective three</u></p> <p>To further develop networks and partnership arrangements</p>	<p>Contribute to NFI</p> <p>Work with DWP SFIS team</p> <p>Explore opportunities for joint working and determine formal and informal arrangements</p>	<p>Arrangements in place with others external to the Council to improve the efficiency and effectiveness of counter fraud and corruption risk management</p>	<p>During Quarter one the team has attended liaison meetings with the Department for Work and Pensions in Northamptonshire and Oxfordshire.</p>

Objective	Actions required:	Desired outcomes	Update
<u>Objective four</u> To maintain and enhance the Council's confidential reporting and whistleblowing arrangements .	Review the Council's whistleblowing arrangements and the policy  Advertise fraud hotline	An internal policy which is fit for purpose and reflects the latest best practice.	The Joint Whistleblowing policy for 2016-2017 has been agreed and is in place.

## Detect

Objective	Actions required:	Desired outcomes	Update
<u>Objective five</u> To maintain and enhance the Council's confidential reporting and whistleblowing arrangements .	Review the Council's whistleblowing arrangements  Review the online reporting system  Fraud awareness day	An internal policy which is fit for purpose and reflects the latest best practice.	The Joint Whistleblowing policy for 2016-2017 has been agreed and is in place.
<u>Objective six</u> To ensure protocols are in place to allow data and intelligence sharing and analysis using data matching	Continue active involvement in data matching exercises, such as NFI.  Review existing arrangements to ensure the Council is maximising NAFN subscription.  Develop links with external	Fraud, bribery and corruption are identified and investigated	Software has been purchased to allow the team to upload data from different departments to compare the intelligence held. Searches have been carried out on data provided by Housing Options and Revenues.  A regular data upload

	agencies to enhance opportunities for information sharing.		timetable is required.
<u>Objective seven</u> Maintain an appropriate mix of experienced and skilled staff	Continual learning and professional development of “counter fraud” and investigatory officers.	Councils will have access to suitably trained staff to undertake investigations	The Corporate Fraud Officer is currently working towards his BTEC qualification
<u>Objective eight</u> To implement software to enable wider data matching to take place	IDIS data matching software has been purchased. This needs to be implemented	Councils and partners will be able to take part in data matching exercises	This project is currently being updated by a member of the fraud staff
<u>Objective Nine</u> To implement Trust ID software to authenticate documents	Trust ID software has been purchased and will be used by a number of sections. This needs to be implemented.	To reduce the incidence of identity fraud, affecting both councils, Revenue & Benefit, Housing, Licensing & electoral services.	The servers required have now been built and Trust ID will shortly be sent the connection. PCs have been identified to host the scanners at Bodicote House. Training sessions for staff will take place on 22 <sup>nd</sup> September 2016.

## Promote anti-fraud message

Objective	Actions required:	Desired outcomes	Update
<p><u>Objective ten</u></p> <p>Publicise the Council's counter fraud stance</p>	<p>Review policies and publicise on website</p> <p>Website updates</p> <p>Communication via In Brief, SNC Review and CDC Link</p>	<p>Individuals are deterred from committing fraud against the Council</p>	<p>An article was placed in Cherwell Link (Summer 2016) and SNC Review (spring edition) explaining the role of the Corporate Fraud team and offering options for reporting and sharing information.</p> <p>Fraud awareness sessions for staff have been held across both Councils in July and August 2016. This included a presentation from PwC on the role of Internal Audit.</p> <p>The Corporate Fraud and Internal Audit training and awareness sessions were promoted in In Brief.</p>
<p><u>Objective Eleven</u></p> <p>Sanctions/prosecutions policy to be in place</p>	<p>Review of current policy</p> <p>Update policy to include sanctions</p>	<p>Individuals are deterred from committing fraud against the Council</p>	<p>The Joint Sanctions and Prosecution Policy has been reviewed as is currently being reviewed by Legal. It will be presented to the next meeting of Accounts, Audit and Risk Committee at Cherwell and to Audit Committee at SNC.</p>

## Appendix 2 – Key roles and responsibilities

<b>Audit and Risk Function</b>	<b>Corporate Anti-Fraud Team responsibilities</b>
Internal Audits of the council’s overall anti-fraud arrangements, including financial irregularities	Drafting/updating of anti-fraud policy, fraud response plan and investigation guidelines.
Reporting to the Accounts, Audit & Risk Committee and Audit Committee.	National Anti-Fraud Network liaison, fraud/scam alerts, police liaison/protocols, bulletins, newsletters.
External Audits of the Council’s overall anti-fraud arrangements	National Fraud Initiative (NFI) investigations and co-ordination.
	Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any surveillance/RIPA activities
	Advice and guidance on fraud investigation, awareness raising activities



# Fraud Awareness

Corporate Fraud Team



# Agenda for today

- Introduction to the session (Paul Sutton, Chief Finance Officer)
- The Corporate Fraud team – role, how to make referrals (John Short- Interim Senior Fraud Investigations Officer)
- Presentation by Internal Audit
- Questions and close

# Corporate Fraud Team

- John Short – Interim Senior Corporate Fraud Officer
- Hannah Simons – Senior Corporate Fraud Officer (maternity leave)
- Nick Addis - Corporate Fraud Investigator
- Phil Goldingay- Admin/Intelligence Officer
- Manager - Belinda Green - Joint Revenues and Benefits Manager

# What is fraud?

## Fraud Act 2006

- A person is guilty of fraud if they:
- Intentionally or dishonestly make a
- Sect 2- False statement
- Sect 3- Fail to disclose information
- Sect 4- Abuse their position.

To make a gain for themselves or another or to cause another to incur a loss or not receive a gain that they were lawfully entitled to.

# Main fraud offences

The Fraud Act 2006

For all criminal fraud other than:- CTRS

Council Tax Reduction Scheme

(Fraud & Enforcement) England Regulations  
2013

- Sect 7-False representation to obtain a reduction.
- Sect 8-Failure to notify a change in circumstances.

# What types of Corporate Fraud do the team investigate?

- Council Tax Discount Fraud (SPD)
- Council Tax Reduction Fraud (CTRS)
- Tenancy Fraud
- Housing & Homelessness application fraud
- Procurement Fraud
- Payroll & Pension Fraud
- Insurance & Compensation Fraud
- Disabilities facilities grants.

# What do we not do

- We do not investigate criminal acts that should be dealt with by the police (Burglary Robbery Theft) etc.
- Staff –Assaults-Bullying-Discrimination.
- General Enforcement matters.
- Staff grievance matters.
- Spy on Staff or Members or the Public (RIPA)

# Reporting Fraud

- All reports to Corporate Fraud need to be on the fraud referral form.
- You should put your name and contact details on the form (we may need to speak to you in confidence to ask questions) about the referral. We will not disclose this information !
- Email as an attachment to:  
[corporatefraud@cherwellandsouthnorthants.gov.uk](mailto:corporatefraud@cherwellandsouthnorthants.gov.uk)



# What do you need to tell us

- Full names & Addresses for any suspects/witnesses/parties involved.
- Descriptions of persons or vehicles.
- What you believe is the fraud: include-why, when, Where, How it happened. We need as much information as possible, (ask the informant questions!)
- Any vehicle registration numbers.

# What you need to tell us - Continued

- How does the person telling you know this information, what is there connection to the suspected person.
- Would they like to leave contact details, please ensure you ask. (We do not disclose them, to anybody) DPA 1998.
- Staff members should include their contact details, unless the reason for Anonymity is discussed with Senior Fraud Officer.

# Why we need the information.

- We score referrals, based on quality & Quantity of information, also is it in the public interest to investigate the allegation.
- Is it cost effective for the Council.
- Can we find any information to support the allegation.
- Is there enough information to provide a reasonable prospect of a successful investigation, Prosecution or Sanction.

# Main Fraud risk

- Council Tax Reduction Fraud
  - Approximately £15 million CTRS fraud nationally every year.
  - Money lost to fraud & error cost every household £100 per year on average.
  - False identity, using fake passports and other I.D documents to apply for Discount & Benefit.  
(Trust I.D)Original Documents must be checked.

# Main fraud risk

- Council Tax 'discount' fraud (SPD)
  - £90 million lost per year Nationally.
  - On Average 1/3 of tax payers claim SPD
  - Pilots in 3 LA's found 4-6% of discounts claimed are fraudulent.
  - We can use credit reference agencies and Electoral Register to data match which is cost effective, producing good results.

# Main fraud risk

- Housing Tenancy Fraud
  - £900 million lost per year
  - 50,000 homes occupied fraudulently(Sublet)
  - LA cost to house a family approx. £18,000
  - Credit reference agencies used for data matching
  - Potential for cash savings for local authority housing
  - Fosters beneficial partnership working with Social Housing partners.

# What is the cost of Fraud & Error

An extract from a recent report by the centre for counter fraud studies at Portsmouth University.

"In a climate where Local Authorities are cutting costs they highlight one substantial area of waste which can be reduced with relatively small levels of investment without compromising the quality of front-line public services.

## FRAUD & ERROR

Official estimates for Local Government losses to fraud and Error are £684 million (0.56%) when according to this report, the figure is closer to £5.562 billion, 8 times greater.

# How can you help

- **Report** - Instances of Fraud that you become aware of.
- **Communicate**- Are all departments aware of changes/notifications. Please talk to each other about Claims/Accounts, if you make a change, tell other interested departments.
- **Confide**- You can discuss your suspicion in Confidence with Fraud Staff.



# How to avoid Fraud & Error

- Check applications and claims carefully
- Be aware of unusual transactions on bank accounts
- Check all documents for tampering (Cut & Paste, also taken from internet).
- Check a persons identity carefully
- Don't just accept what your told - question it.

# Revenue Savings for Cherwell

- From 01/04/2015 to date

CTR Saving	£7,799.02
SPD/Exemption	£8,500.55
Penalties issued	£ 910.00

Recorded Revenues savings = £33,712.18

# Revenue Savings South Northants

- From 01/04/2015 to date

CTR Saving	£14,762.81
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SPD/Exemption	£ 6,628.92
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Total Revenue Savings	=	£29,791.56
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# Additional Savings

- Housing Benefit prior to SFIS £ 129,343.04
- Social Housing £ 36,000.00

# Reporting Fraud

- Think your aware of a Fraud
  - Not Sure
  - You can call :
    - John Short (Senior Fraud) Tel 2195
    - Nick Addis (Fraud Officer) Tel 2219
    - Phil Goldingay (Admin & Intelligence) Tel 2376
- Please don't leave it to somebody else.

# Corporate Fraud

Fraud is a problem for every employee

Imagine if the Fraud was against you personally.

But that is happening, taking the Authorities money, your money !

# Joint Service Corporate Fraud

Fraud Prevention comes from YOU, Staff & Partners.

**Any  
Questions  
Please**

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***Cherwell District  
Council***

***South Northamptonshire  
Council***

**Fraud awareness workshops**

***Ed Cooke***

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## ***Agenda***

1. Introductions and objectives.
2. Role of Internal Audit.
3. Why does fraud matter? Scale of the problem.
4. Frauds trends – what we are seeing.
5. Things to consider.

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# ***Who I am***

***Ed Cooke***  
***Internal Audit Manager***

Direct: 07841 563 231

Email: [edward.j.cooke@uk.pwc.com](mailto:edward.j.cooke@uk.pwc.com)

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# ***A bit about you...***

# ***Role of Internal Audit***

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# ***Role of Internal Audit***

## Questions

- Page 80
- What do people here think the role of Internal Audit is?
- Do you think these are defined anywhere?
  - Where would you look if you wanted to find out?

---

# ***Role of Internal Audit***

Role of Internal Audit at both Cherwell and South Northants Councils

Definitions in:

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**INTERNAL AUDIT CHARTER**

- **ANNUAL PLAN/REPORTS**
  
- **PSIAS**

---

# ***Role of Internal Audit***

## ANNUAL PLAN / REPORT

### ***Responsibilities of management and internal auditors***

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

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



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# ***Role of Internal Audit***

## **INTERNAL AUDIT CHARTER**

### ***Scope***

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.

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# ***Role of Internal Audit***

## **INTERNAL AUDIT CHARTER**

### ***Responsibility***

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.

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# ***Role of Internal Audit***

## **PSIAS**

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

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# ***Role of Internal Audit***

Role of Internal Audit at both Cherwell and South Northants Councils

Page 86 INTERACTIONS WITH CORPORATE FRAUD TEAM  
**Corporate Anti-Fraud Business Plan 2016-2017**

WHISTLEBLOWING

INVESTIGATIONS

# *Why does fraud matter?*

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# ***Why does fraud matter?***

## **Protecting the Public Purse 2015**

Headlines:

Page 88  
the number of detected cases fell by more than 18 per cent to over 84,000 while their value increased by more than 11 per cent to greater than **£207 million**;

- the number of detected cases of **housing benefit and council tax benefit** fraud fell by more than half to just over 27,000 while their value fell by almost 17 per cent to nearly £23.5 million. This decline was expected; and
- the number of detected cases of non-benefit (corporate) fraud decreased by greater than 8 per cent to more than 57,000, while their value increased by greater than 63 per cent to more than £97 million.

# Why does fraud matter?

## Protecting the Public Purse 2015

Type of fraud	Detected fraud in 2014/15 (excluding tenancy fraud)	Detected fraud in 2013/14 (excluding tenancy fraud)	Change in detected fraud 2013/14 to 2014/15 (%)
<b>Total Fraud</b>			
Total value	£207,078,000	£186,382,000 <sup>1</sup>	11.1
Number of detected cases	84,608	103,743	-18.4
Average value per case	£2,447	£1,797	36.2
<b>Housing and council tax benefit</b>			
Total value	£109,707,000	£126,736,000	-13.4
Number of detected cases	27,323	41,369	-33.0
Average value per case	£4,015	£3,064	-31.0
<b>Council tax discounts<sup>2</sup></b>			
Total value	£18,624,000	£19,133,000	-2.7
Number of detected cases	48,160	54,749	-12.0
Average value per case	£387	£349	10.9
<b>Other frauds</b>			
Total value	£78,746,000	£40,513,000	94.4
Number of detected cases	9,125	7,625	19.7
Average value per case	£8,630	£5,313	62.4
<i>Source: PPP 2014 and TEICCAF</i>			

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## ***Why does fraud matter?***

PwC's most recent Global Economic Crime Survey 2016:

- 55%, over half of UK organisations, have experienced economic crime.
- 44% of respondents who experienced economic crime in the last two years had experienced cybercrime.
- 18% of fraud is now committed by senior management.



# ***Fraud trends: What we are seeing***

# ***Frauds trends and examples of common frauds***

Cyber Crime

IP Theft

Timesheets

False qualifications

Expenses

Inflated or  
duplicate  
invoices

Fraudulent  
invoices for  
goods/ services  
not delivered

Changes to  
supplier bank  
details

Diversion of  
supplier  
payments by  
staff member

# ***Local Government frauds/cases we have investigated***

Planning  
enforcement

Misuse of grants

Manipulating KPI  
data

Page 93  
Financial abuse  
vulnerable service  
users

Insurance /  
Procurement  
Fraud

BACS re-direction  
fraud

False claims  
catchment areas

# *How might the Councils be targeted?*

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# ***What are the fraud risks?***

***Who might defraud the Councils??***

***Employees/workers***



**CDC  
SNC**

***Customers/  
public***

***Third parties***

---

## ***Group session – how might fraudsters target the Councils?***

### **Discussion:**

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Thinking back to the previous slide, who/what type of people may want to defraud the Councils?

- How might they do it?
- How likely would we be to prevent/detect their efforts?
- Do you know your responsibilities?
- Do you know where to look for guidance?

# ***Taking the right steps: How to avoid being the next case study***

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## ***Fraud risk assessment / awareness***

- Capture and consider the fraud risks we've discussed today, and any others that might occur to you.

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Think about the controls in place.

Be objective about potential gaps – would those controls work against a determined and audacious potential fraudster? Somebody who has seen an opportunity, rationalised their action and who would have an incentive?

- Review those risks, and the operation of controls, periodically.



## ***Warning signs – our own people***

Individuals who rarely take holiday

Individuals with financial difficulties

Lack of compliance with procedures

Lifestyle does not agree to income

Close relationships with third parties

Aggressive or dominant individuals

Un-necessarily complex processes

Lack of transparency or supporting documents

---

## ***Recommendations from 'Protecting the Public Purse'***

- Having robust data and data collection
- Having strong analysis, reporting and dissemination
- Promote a fraud awareness culture
- Work in partnership with others where possible (other authorities, housing providers etc)

---

## ***Some sensible principles***

- Exercise due diligence.
- Be confident enough to challenge anything unusual or of concern.
- Know who you are doing business with.
- Encourage everybody to follow policies and procedures.
- Think about fraud risks in your area of operations.

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## Cherwell District Council

### Accounts, Audit and Risk Committee

21 September 2016

<p><b>First Quarter Risk Review 2016-17 and revised Shared Risk &amp; Opportunities Management Strategy</b></p>
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### Report of Director - Strategy and Commissioning

This report is public

#### Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2016/17, to present the revised Risk & Opportunities Management Strategy and to report recommendations from the 2015/16 Risk Audit.

#### 1.0 Recommendations

The meeting is recommended to:

- 1.1 Review the full Strategic, Corporate and Partnership Risk Register for 2016/17 and identify any issues for further consideration or referral to Executive.
- 1.2 Note the risk exceptions highlighted and proposed actions.
- 1.3 Consider the impact of the EU referendum vote result and implications on existing or newly identified emerging risks.
- 1.5 Note recommendations and actions arising from the 2015/16 Risk Audit.
- 1.6 Agree the revised Risk and Opportunities Management Strategy for 2016/17.

## 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 departmental level but can be escalated to the strategic risk register if required. Whilst a formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities, risks may still be added at any point during the year.
- 2.3 This is the first quarterly performance report provided on the Strategic Risk Register for 2016/17. Risk exceptions have been highlighted to provide a focus on those risks rated 16 or above (red risks requiring active management) and any changes to risk ratings that have occurred.

## 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, or shared and managed to reflect this status.

3.3 This Strategy has been reviewed and updated for 2016/17 to better reflect the Councils' risk appetite, attitude to risk and changes to the information management and data collection system that underpins the process. The Strategy is attached as Appendix 4.

3.4 **Risk Register 2016/17:** 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 full shared register contains 43 risks; 32 are shared or CDC specific risks. The full (CDC specific and shared risks) register will be provided to the Committee on an annual basis. The register (including legend) and heat maps are attached as Appendix 1 and 2 respectively.

Type	CDC	Shared	SNC	Total
Strategic Risks	9	7	5	21
Corporate Risks	2	10	3	15
Partnership Risks	3	1	3	7
<b>Totals</b>	<b>14</b>	<b>18</b>	<b>11</b>	<b>43</b>

3.5 **First Quarter Risk Exceptions Report - Appendix 3**  
The full risk register has been reviewed by the risk owners and members of JMT and an exception report created; this report focusses on those risks with a residual score of 16 or higher that require active management, or a change in risk scores.

**3.6 Red risks requiring active management:** One risk has been identified with a red rating; S15 – Horton Hospital. The Oxfordshire Transformation Programme has prompted a review of health and social care service delivery which in turn has resulted in a number of emerging clinical service models. Some of these mean changes to current Horton services, services closer to home, more patients at the Horton and the downgrading of some services such as maternity delivered from the Horton. This has prompted a review of the risk and an upgrading from an Amber rating (contingency planning).

An annual report is presented to Executive and there is oversight provided by the Local Strategic Partnership

**3.7 Change in risk scores:** Four risks have been downgraded this quarter:-

- S11 CDC Local Plan (Impact reduced from 4 to 3)
- P04 South Midlands Local Enterprise Partnership (Impact reduced from 4 to 3)
- P05 Oxfordshire Local Enterprise Partnership (Impact reduced from 4 to 3)
- C05 Managing Data and information (Impact reduced from 3 to 2)

**3.8 Risk review in light of the EU referendum result:** It is recommended that all services consider the impact of the EU referendum result and update service risk registers in light of any emerging risks identified. There is naturally a lot of uncertainty in the situation – by capturing potential risks the councils can have plans for potential outcomes prepared in advance.



**3.9 Operational risks:** These are managed and monitored locally at directorate and service level and are identified through the development of service plans and project risk logs. An operational risk review aligned to the service planning process takes place annually; a six month spot check is scheduled for December 2016.

**3.10** Issues arising from operational 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.

**3.11 Risk Training** for all staff with responsibility for Strategic, Operational and/or Project Risks was undertaken by Price Waterhouse Cooper (PWC) in April 2016. In addition, a Risk Computer Based Training (CBT) module is being developed to provide on-going risk training for new employees as well as refresher training and will be linked to the Induction process.



3.12 The **2015/16 Risk Audit** report undertaken by PWC has been finalised and classified as “Medium” (7 Points) which is in line with the previous year.

Report classification	Trend	Total number of findings				
		Critical	High	Medium	Low	Advisory
Medium (7 points) 	There has been no overall change in performance from the previous review 					
		0	0	1	3	2
		0	0	0	1	1
		0	0	1	4	3

The Audit raised four ‘control design’ and one ‘operating effectiveness’ findings. Details of the issues raised, together with resolution are detailed below:-

Issue Raised	Comments and Resolution
Control Design: Operational Risk Register Access - no audit trail when a risk is removed or when a change is made to the risk status (medium)	By end of 2016 all operational risks (except project based) will be recorded, reviewed and monitored within Performance Matters software. This software provides a full and comprehensive Audit trail.
Operating Effectiveness: Documentation of the Risk Register – does not clearly differentiate between risk, control and action (low).	Risk guidance notes have been updated, issued to all risk owners and are published on the intranet. In addition, as risks are now updated via Performance Matters software, an on-line guide is available.
Control Design: Policy/Procedure Notes (in need of updating) and Risk Management Training awareness (low)	
Control Design: Risk Appetite not specific (low)	The 2016/17 Risk & Opportunities Management Strategy has been revised to address this issue.
Control Design: Six Monthly spot check (low)	The monitoring of operational risks via Performance Matters will enable spot checks and regular reviews of operational risks

## 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, Chief Finance Officer

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
1	Quarter 1 2016/17 Risk Register (including Legend)
2	Quarter 1 2016/17 Heat Map
3	Quarter 1 Exceptions Report
4	Shared Risk & Opportunities Management Strategy 2016/17
<b>Background Papers</b>	
None	
Report Author	Ed Bailey, Corporate Performance Manager
Contact Information	<a href="mailto:Edward.Bailey@cherwellandsouthnorthants.gov.uk">Edward.Bailey@cherwellandsouthnorthants.gov.uk</a> 01295 221605

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## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since		
Shared	<b>C01</b>	<b>Business Continuity</b>	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	5	4	20	▲	3	4	12	●	Jun-16	➔	Mar 16
<p>Current Controls : 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</p> <p>Mitigating Actions : As part of the review of the Public Protection service a need to provide a dedicated resource to improve business continuity was identified; a new Emergency Planning Officer is now in post and will start to review and improve business continuity arrangements; the new ICT service will also include a Disaster recovery arrangements to support business continuity.</p> <p>Assurances : 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</p>														
CDC	<b>C02</b>	<b>CDC - ICT Loss of Systems</b>	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.)	4	4	16	▲	3	3	09	●	Jun-16	➔	Mar 16
<p>Current Controls : BCP Plan Disaster recovery (DR) arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)</p> <p>Mitigating Actions :</p> <p>Assurances : Formal auditing, ICT Health check and benchmarking with best in private and public sector.</p> <p><b>Risk - Quarterly Review</b>                      Risk remains unchanged</p>														
Shared	<b>C04</b>	<b>Corporate Fraud</b>	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.	4	4	16	▲	4	3	12	●	Jun-16	➔	Mar 16
<p>Current Controls : 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 &amp; prevention corporate policies in place such as Whistle Blowing and Anti-fraud &amp; 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.</p> <p>Mitigating Actions :</p> <p>Assurances :</p> <p><b>Risk - Quarterly Review</b>                      No change in the risk of corporate fraud.</p>														
Shared	<b>C05</b>	<b>Managing Data and Information</b>	Poor data quality or lack of relevant information results in poor decision making	4	4	16	▲	2	3	06	●	Jun-16	✔	Mar 16
<p>Current Controls : Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place</p> <p>Mitigating Actions :</p> <p>Assurances : Audit, data quality checks as part of performance management framework. More regular performance reporting with more time for Performance and Insight team to review data and act as a 'critical friend'</p> <p><b>Risk - Quarterly Review</b>                      As data management is predominantly an internal issue, there is unlikely to be any major financial or customer facing impacts. Recent updates to Performance Matters and performance reporting will begin to allow more visibility of data, bringing any quality issues into focus more swiftly.</p>														
Shared	<b>C06</b>	<b>Member Decision Making</b>	That members do not have access to information and support to make effective decisions	4	4	16	▲	4	3	12	●	Jun-16	➔	Mar 16

## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : No decision has been made by either Council which is inconsistent with the policy framework or legal requirements</p> <p><b>Risk - Quarterly Review</b></p> <p>Members continue to be provided with the necessary information to take informed decisions</p>												
Shared	<b>C08</b>	<b>Safeguarding Children</b>	Failure to follow our policies and procedures in relation to safeguarding children or raising concerns about children and young people welfare	5	4	20 ▲	5	1	05 ★	Jun-16	➔	Mar 16
<p>Current Controls : 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 complied for each council</p> <p>Mitigating Actions :</p> <p>Assurances : 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.</p> <p><b>Risk - Quarterly Review</b></p> <p>The inherent risk remains and we have undertaken all mitigation possible.</p>												
Shared	<b>C09</b>	<b>Safeguarding</b>	Failure to:- identify safeguarding concerns and issues; use agreed protocols for escalating safeguarding concerns; use diverse community intelligence to best effect internally and externally.	4	4	16 ▲	4	2	08 ●	Jun-16	➔	Mar 16
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : The established "See It Report It" process has controls and monitoring arrangements for different levels in the organisation for assurance purposes</p> <p><b>Risk - Quarterly Review</b></p> <p>No further mitigation possible</p>												
Shared	<b>C10</b>	<b>Communications</b>	Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale	4	4	16 ▲	3	3	09 ●	Jun-16	➔	Mar 16
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : 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</p>												
Shared	<b>C11</b>	<b>Equalities</b>	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	4	4	16 ▲	4	3	12 ●	Jun-16	➔	Mar 16
<p>Current Controls : 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 "Knowing our Communities" at both CDC and SNC</p> <p>Mitigating Actions : 16/17 Actions Plans and rolling EIA plan submitted and signed off by Executive and Cabinet.</p> <p>Assurances : Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.</p> <p><b>Risk - Quarterly Review</b></p> <p>Risk reviewed - Mitigating actions are still relevant and in place.</p>												
Shared	<b>C12</b>	<b>Health and safety</b>	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	5	4	20 ▲	5	2	10 ●	Jun-16	➔	May 16

## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard.</p> <p><b>Risk - Quarterly Review</b></p> <p>External auditors visited CDC on 13 and 14 July 2016 and confirmed our continued certification to ISO 14001 environmental standard and OHSAS 18001 the health and safety standard. As a result of our continued certification and the on-going work we are doing there is no change to the risk rating for the corporate H&amp;S this quarter.</p>												
CDC	C13	<b>Emergency Planning (EP)</b>	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.	4	3	12	4	2	08	Jun-16	➔	Mar 16
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : 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.</p> <p><b>Risk - Quarterly Review</b></p> <p>The risks for SNC and CDC have been separated to reflect the different relationships and support that each enjoys from the County Councils in each area. This means that a new single risk has been identified for CDC which reflects the clarity of support and arrangements with Oxfordshire County Council.</p>												
Shared	C15	<b>ICT Transformation and Transition</b>	<p>Failure to deliver the IT transition project programme results in failure to:</p> <ul style="list-style-type: none"> <li>• deliver savings through IT harmonisation</li> <li>• deliver the councils' wider strategic and commercial objectives</li> <li>• reputation damage</li> <li>• improve services and deliver efficiencies</li> <li>• deliver the channel shift programme and enhance customer access</li> <li>• Manage business continuity</li> </ul>	4	4	16	3	3	09	Jun-16	➔	May 16
<p>Current Controls : Current: Project plan in place Performance Management Member Governance Director as sponsor Dedicated project team and additional resource Future: New IT strategy and work plan to be developed</p> <p>Mitigating Actions :</p> <p>Assurances : Audit Quarterly performance management Monthly member oversight</p>												
CDC	P01	<b>Police and Crime Commissioner (PCC) - Thames Valley</b>	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	3	3	09	2	2	04	Jun-16	➔	Mar 16
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP.</p> <p><b>Risk - Quarterly Review</b></p> <p>Police Crime Commissioner has been re-elected</p> <p>No change to strategic format</p>												
		<b>South Midlands LEP</b>	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with									

## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since		
Shared	<b>P04</b>	<b>(SEMLEP)</b>	strategic objectives or the council is unable to influence the partnership's agenda.	4	4	16	▲	3	3	09	●	Jun-16	↕	Mar 16
Current Controls : Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement														
Mitigating Actions :														
Assurances :														
CDC	<b>P05</b>	<b>Oxfordshire LEP</b>	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.	4	4	16	▲	3	3	09	●	Jun-16	↕	Mar 16
Current Controls : Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement														
Mitigating Actions :														
Assurances : Portfolio briefing Growth Board Regular liaison meetings with OLEP														
CDC	<b>P07</b>	<b>Health and Wellbeing Partnership (CDC)</b>	Failure of the new partnership arrangements results in Cherwell District Council not being able to meet its safe and healthy objectives.	3	4	12	●	3	3	09	●	Jun-16	➡	Mar 16
Current Controls : 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														
Mitigating Actions :														
Assurances : Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.														
<b>Risk - Quarterly Review</b>														
Action plan in place to secure partner contributions. No further mitigation possible														
Shared	<b>S01</b>	<b>Policy and legislative change</b>	The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge	5	4	20	▲	4	3	12	●	Jun-16	➡	Mar 16
Current Controls : 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.														
Mitigating Actions :														
Assurances : No legal challenge has been made to any decision by either Council alleging misapplication of the law														
<b>Risk - Quarterly Review</b>														
Member decision making continues to be sound. The impact of Brexit on key policy areas such as the devolution agenda will be a key matter to take into account from Q2 onwards														
Shared	<b>S02</b>	<b>Financial resilience</b>	The impact of external financial shocks, new policy and increased service demand reduces the councils medium and long term financial viability	4	4	16	▲	4	3	12	●	Jun-16	➡	Mar 16
Current Controls : 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														
Mitigating Actions :														
Assurances : Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees														
<b>Risk - Quarterly Review</b>														
Implications of Brexit will be fully considered in the next quarterly review.														
Shared	<b>S03</b>	<b>Capital investment</b>	Poor investment and asset management results in the councils not maximising financial return or losing income.	4	3	12	●	3	2	06	●	Jun-16	➡	Mar 16
Current Controls : 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														



## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since
<p>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.</p> <p>Mitigating Actions :</p> <p>Assurances : Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees</p> <p><b>Risk - Quarterly Review</b></p> <p>Implications of Brexit will be fully considered in the next quarterly review.</p>												
Shared	S07	<b>Customer Service Improvement (including channel shift)</b>	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	3	4	12	3	3	09	Jun-16	➔	May 16
<p>Current Controls : 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.</p> <p>Mitigating Actions :</p> <p>Assurances : Project governance, performance management reporting, customer insight reporting.</p> <p><b>Risk - Quarterly Review</b></p> <p>No change to risk scores or controls at this time. Progress made during the Q1 includes:-</p> <p>New joint structure went live on 1 April 2016 - all vacancies have been filled and staff now in post.</p> <p>CT - Shared Lagan (CRM) system went live in March 2016 enabling joint team to begin standardisation in their use of the system.</p> <p>Customer Service Officers are currently testing Citrix, which will allow advisors access to all systems and applications no matter their location. Planned roll out for the joint team is scheduled for mid-August 2016.</p> <p>Mitel review and mapping of current call flow structure in progress with the aim to simplify the process, reduce length of messages whilst managing call volumes and flow.</p> <p>The new website scoping project is currently underway and key members of the customer services team are part of the design and specification, so ensuring future processes and procedures are customer focused, easy to access and customer friendly.</p> <p>A new harmonised Customer Services staffing rota has been introduced and implemented and training of CDC based staff on all SNC Customer Service processes on a rolling basis has commenced.</p> <p>Processes mapping of the revenues and benefits interface with customers is currently underway to both identify and highlight first point of contact that can be managed by the customer services team thus allowing the officer within Revenues and Benefits to deal with the complicated and specialist customer enquiries.</p> <p>A review of the use of the Atrium at The Forum is currently underway and will include customer feedback. One aspect the review is focusing on is improving sign posting and the promotion and encouragement of the self service functions.</p>												
CDC	S10	<b>Deprivation and Health Inequalities (Brighter Futures in Banbury)</b>	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	4	3	12	3	3	09	Jun-16	➔	Mar 16
<p>Current Controls : 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.</p> <p>Mitigating Actions :</p> <p>Assurances : Project governance Local Strategic Partnership (LSP) oversight, Quarterly reporting Annual Report</p>												

## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since
<b>Risk - Quarterly Review</b>												
Thematic workshops highlighting areas of future focus. No further mitigation possible												
CDC	S11	<b>CDC Local Plan</b>	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.	5	4	20	3	3	09	Jun-16		Mar 16
Current Controls : 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												
Mitigating Actions :												
Assurances : Full Council												
CDC	S12	<b>North West Bicester (Eco-town)</b>	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	4	4	16	3	3	09	Jun-16		May 16
Current Controls : 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												
Mitigating Actions : test												
Assurances : Programme Governance Performance Management												
CDC	S13	<b>Bicester town centre development</b>	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	4	3	12	3	3	09	Jun-16		May 16
Current Controls : 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												
Mitigating Actions :												
Assurances : Project Governance												
CDC	S14	<b>Graven Hill</b>	Failure to deliver the project results in severe loss of economic benefit, local dissatisfaction and damage to reputation	4	3	12	3	3	09	Jun-16		May 16
Current Controls : Project Manager Project Board Companies set up Business Plan and Finance Plan being monitored												
Mitigating Actions :												
Assurances : Project Governance												
CDC	S15	<b>Horton Hospital</b>	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	4	4	16	4	4	16	Jun-16		Mar 16
Current Controls : 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.												
Mitigating Actions :												
Assurances : LSP oversight and annual report to Executive												
<b>Risk - Quarterly Review</b>												
Oxfordshire Transformation Programme has prompted a review of health and social care service delivery which in turn has resulted in a number of emerging clinical service model. Some of these mean changes to current Horton services, services closer to home, more patients at the Horton and the downgrading of some services such as maternity delivered from the Horton.												
			Failure to deliver the programme results in failure to:									

## CDC and Shared Risk Report








Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since		
Shared	<b>S16</b>	<b>Transformation Programme</b>	<ul style="list-style-type: none"> <li>• deliver savings</li> <li>• deliver the councils' commercial objectives</li> <li>• reputation damage</li> <li>• improve services and deliver efficiencies</li> </ul>	4	4	16	▲	3	3	09	●	Jun-16	➔	May 16
<p>Current Controls : Current: Programme plan in place Performance Management Member Governance CEO programme sponsor Dedicated programme team Future: All major proposals will be underpinned by business cases</p> <p>Mitigating Actions :</p> <p>Assurances : Annual Audit Quarterly performance management Monthly member oversight</p>														
CDC	<b>S17</b>	<b>Build Development Programme</b>	Failure to deliver the Build! Programme resulting in financial loss, loss of economic benefit, local dissatisfaction and damage to the Council's reputation.	5	3	15	●	4	3	12	●	Jun-16	➔	Mar 16
<p>Current Controls : • Delivery Manager and Project Board • Legal Agreements in place for land acquisitions and contracts with consultants and contractors • Monthly project/performance reports • Business Plan and Financial Plan monitoring • Professional Construction Management • Effective Communications Management • 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. • Financial risks are major given the level of investment but mitigated by budget management and professional construction management • Overall reputational risk is major given the profile of this project locally and nationally but managed by communications and strong project management.</p> <p>Mitigating Actions :</p> <p>Assurances : • Programme Governance • Information Management System (IMS) with the HCA • HCA Programme Audit (annually) • HCA Design and Quality Audit • Considerate constructor scheme • Fortnightly Project Boards; weekly project reviews</p> <p><b>Risk - Quarterly Review</b></p> <p>Executive and Full Council have approved an amendment to the BUILD! scheme relating to Coach House Mews and Lincoln House. This was to allow Keepmoat to complete the full development with reduced input from Self Build clients. It was also agreed to switch some affordable rent properties to shared ownership. The programme remains on schedule.</p>														
CDC	<b>S18</b>	<b>Banbury Development</b>	The sites are complex and in multiple ownership. There are conflicting development pressures and challenges with site viability	4	4	16	▲	4	3	12	●	Jun-16	➔	May 16
<p>Current Controls : 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</p> <p>Mitigating Actions :</p> <p>Assurances : Regular risk monitoring and review discussions by the project board</p>														
CDC	<b>S19</b>	<b>Asset Management</b>	Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.	4	4	16	▲	4	2	08	●	Jun-16	➔	May 16
<p>Current Controls : 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</p> <p>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</p> <p>Mitigating Actions :</p> <p>Assurances : 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.</p> <p><b>Risk - Quarterly Review</b></p> <p>The next Asset Management Group Meeting will take place shortly to specifically consider the specification for commissioning consultants to develop a new disposal acquisition for assets.</p>														
			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.											

## CDC and Shared Risk Report

Council	Ref.	Name	Description	Inherent Impact	Inherent Probability	Gross Risk		Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	
Shared	S20	<b>Dry Recycling Contract</b>	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.	4	4	16	▲	4	3	12	●	Jun-16	➔	May 16
Current Controls : Legal, Procurement & financial advice Mitigating Actions : Assurances : <b>Risk - Quarterly Review</b> Risk reviewed & remains unchanged - working relationship with UPM is currently good but this can rapidly change. Contract expires in February 2018.														
Shared	S21	<b>Oxfordshire Devolution Deal and Unitary Authority (ODD&amp;UA) - Stage 1 Options Appraisal Oxfordshire Devolution Deal and Unitary Authority (ODD&amp;UA)</b>	The Council fails to: grasp the opportunity for transformation/reform across all agencies to benefit the local area and deliver further efficiencies • ensure all stakeholders (internal and external) are engaged and understand options as they emerge • obtain and provide all relevant data to support options appraisal resulting in long term negative impact upon better outcomes for our area including quality of life for local residents, economic growth, financial sustainability and on the council's reputation itself.	5	3	15	●	4	3	12	●	Jun-16	?	May 16
Current Controls : • PwC appointed as independent consultants on behalf of all Oxfordshire Districts, plus West Oxfordshire and South Northamptonshire Councils. Lead Officer /S151 sign off of data. • Member with lead responsibility = Leader • Officer with lead responsibility = Head of Transformation • Regular meeting of Oxfordshire District Leaders and Chief Executives • District Councils Communications Group established • Communications and Information Sharing Protocol in place between the partners and county council • SNC Leader engaged as a key stakeholder • SNC has created a new portfolio for a member of Cabinet to be responsible for Devolution, Transformation and Change. • Phase 2 of the management review has been put on hold to minimise organisational disruption through change Mitigating Actions : Assurances : • Project timeline • Regular meetings of Leaders and Chief Executives • Regular liaison with PwC team and Oxfordshire District Councils <b>Risk - Quarterly Review</b> A dedicated lead officer working on this project to ensure stage 1 timeline is met (end June/July). Initial letter issued to all stakeholders inviting engagement in the debate. Leader has distributed a video outlining his vision.														

## Legend for Appendices

The following legend applies to all the following appendices:

Colour	Symbol	Meaning
Red		<b>Requires active management</b> High impact / High likelihood Risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Amber		<b>Contingency Plans</b> A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile. Escalate upwards.
Green		<b>Good Housekeeping</b> May require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.
Grey		Not updated
		Risk has reduced since previous review
		Risk has increased since previous review
		Direction of Travel is not applicable as risk is new (should only be applicable in the quarter one report)

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**Q1 2016-2017 RISK HEAT MAP : INHERENT RISK**

Likelihood (Probability)

		Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
<b>Impact</b>	<b>Catastrophic (5)</b>	5	10	15 S17 : CDC Build! @ Programme S21 : Oxfordshire Devolution Deal (exempt?)	20 S01 : Policy & Legislative Change S11 : CDC Local Plan C01 : Business Continuity C08 : Safeguarding Children C12 : Health and Safety	25
	<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 : CDC Emergency Planning	16 S02 : Financial Resilience S12 : CDC NW Bicester (Eco Town) S15 : CDC Horton Hospital S16 : Transformation Programme S18 : CDC Banbury Development S19 : CDC Asset Management S20 : Dry Recycling Contract C02 : CDC ICT Loss of Systems C04 : Corporate Fraud C05 : Managing Data/Information C06 : Member Decision Making C09 : Safeguarding C10 : Communications C11 : Equalities C15 : ICT Transformation/Transition P04 : South Midlands LEP P05 : CDC Oxfordshire LEP	20
	<b>Moderate (3)</b>	3	6	9 P01 : CDC Police Crime Commissioner	12 S07 : Customer Service Improvement P07 : CDC Health & Wellbeing Board	15
	<b>Minor (2)</b>	2	4	6	8	10
	<b>Insignificant (1)</b>	1	2	3	4	5

Q1 2016-17 RISK HEAT MAP : RESIDUAL RISK

Arrows indicate direction of travel compared with Q4 2015/2016

Likelihood (Probability)

		Remote (1)	Unlikely (2)	Possible (3)	Probable (4)	Highly Probably (5)
Impact	<b>Catastrophic (5)</b>	5 ↔ C15 : Safeguarding Children	10 ↔ C12 : Health and Safety	15	20	25
	<b>Major (4)</b>	4	8 ↔ S19 : CDC Asset Management ↔ C09 : Safeguarding ↔ C13 : CDC Emergency Planning	12 ↔ S01 : Policy & Legislative Change ↔ S02 : Financial Resilience ↔ S17 : CDC Build! @ Programme ↔ S18 : CDC Banbury Development ↔ S20 : Dry Recycling Contract new ↔ S21 : Oxfordshire Devolution Deal ↔ C04 : Corporate Fraud ↔ C06 : Member Decision Making ↔ C11 : Equalities	16 ↑ S15 : CDC Horton Hospital	20
	<b>Moderate (3)</b>	3	6 ↔ S03 : Capital Investment	9 ↔ S07 : Customer Service Improvement ↔ S10 : CDC Brighter Futures ↓ S11 : CDC Local Plan ↔ S12 : CDC NW Bicester (Eco Town) ↔ S13 : CDC Bicester Town Centre ↔ S14 : CDC Graven Hill, Bicester ↔ S16 : Transformation Programme ↔ C02 : CDC ICT Loss of Systems ↔ C10 : Communications ↔ C15 : ICT Transformation & Transition ↓ P04 : South Midlands LEP (SEMPLEP) ↓ P05 : CDC Oxfordshire LEP ↔ P07 : CDC Health & Wellbeing Board	12 ↔ C01 : Business Continuity	15
	<b>Minor (2)</b>	2	4 ↔ P01 : CDC Police & Crime Comm	6 ↓ C05 : Managing Data & Information	8	10
	<b>Insignificant (1)</b>	1	2	3	4	5



## Risk Exceptions - Residual = 16 or higher OR Rating change

Council	Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
CDC	<b>S15</b>	<b>Horton Hospital</b>	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	4	4	16 ▲	4	4	16 ▲	Jun-16	✖	Mar 16	09 ●
Current Controls : 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. Assurances : LSP oversight and annual report to Executive <b>Risk - Quarterly Review</b> Oxfordshire Transformation Programme has prompted a review of health and social care service delivery which in turn has resulted in a number of emerging clinical service model. Some of these mean changes to current Horton services, services closer to home, more patients at the Horton and the downgrading of some services such as maternity delivered from the Horton.													
CDC	<b>S11</b>	<b>CDC Local Plan</b>	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.	5	4	20 ▲	3	3	09 ●	Jun-16	✔	Mar 16	12 ●
Current Controls : 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 Assurances : Full Council													
Shared	<b>P04</b>	<b>South Midlands LEP (SEMLEP)</b>	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.	4	4	16 ▲	3	3	09 ●	Jun-16	✔	Mar 16	12 ●
Current Controls : Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement Assurances :													
CDC	<b>P05</b>	<b>Oxfordshire LEP</b>	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.	4	4	16 ▲	3	3	09 ●	Jun-16	✔	Mar 16	12 ●
Current Controls : Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement Assurances : Portfolio briefing Growth Board Regular liaison meetings with OLEP													

### Risk Exceptions - Residual = 16 or higher OR Rating change

Council	Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
Shared	<b>C05</b>	<b>Managing Data and Information</b>	Poor data quality or lack of relevant information results in poor decision making	4	4	16	2	3	06	Jun-16		Mar 16	09

Current Controls : Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place  
 Assurances : Audit, data quality checks as part of performance management framework. More regular performance reporting with more time for Performance and Insight team to review data and act as a 'critical friend'

**Risk - Quarterly Review**

As data management is predominantly an internal issue, there is unlikely to be any major financial or customer facing impacts. Recent updates to Performance Matters and performance reporting will begin to allow more visibility of data, bringing any quality issues into focus more swiftly.

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# Shared Risk and Opportunities Management Strategy

## 2016/17

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# Section 1: Introduction

## 1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District and South Northamptonshire councils.

The fundamental aim of the risk management strategy is to help both councils identify and manage risk especially with regards to those risks (both financial and non-financial) that pose a threat in terms of the organisations meeting their objectives, but also in terms of risks that have an impact on the operation of the business or may impact on services, programmes or projects.

Risk management is recognised as being concerned with both the positive and negative aspects of risk; that is to say opportunities as well as threats. This strategy therefore applies to risk from both perspectives.

Risk, can therefore be defined as:

“an uncertain event or set of events that, should it occur will have an effect (positive or negative) on the achievement of the councils’ objectives, performing its duties or meeting the expectations of its stakeholders”

Both organisations are aware that risks will always arise and most risks can not be fully eliminated, only managed to an acceptable level. Within this context the councils’ are committed to managing risk in order to reduce the impact on the organisations their priorities and on service provision.

Risk management will be embedded within the daily operations of the councils, from strategy and policy formulation through to business planning and general management processes. It will also be applied where the councils work in partnership with other organisations, to ensure that partnership risks are identified and managed appropriately.

Through understanding risks, decision-makers (councillors and managers) will be better able to evaluate the impact of a particular decision or action on the achievement of the councils’ objectives.

## 1.2 Benefits of Risk Management

Effective risk management is an important part of corporate governance and performance management. It adds value by:

- raising awareness of significant risks with priority ranking assisting in the efficient control of the risks
- allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- aiding the process of strategic and business planning
- identifying new opportunities and supporting innovation
- providing a framework for the for the effective management of significant risks
- aiding effective partnership working, particularly in terms of identifying shared risks

### 1.3 Strategy Objectives

The objectives of the Risk and Opportunities Management Strategy are to:

- maintain a register that identifies, assesses and ranks all significant risks and opportunities facing both councils, which will assist the councils in achieving their objectives through pro-active risk management
- rate all significant risks in terms of likelihood of occurrence and potential impact upon the councils and ensure effective controls are in place to mitigate significant risks
- allocate clear roles, responsibilities and accountability for risk management
- facilitate compliance with best practice in corporate governance, which will support the Annual Governance Statements (issued with the annual statement of accounts)
- raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control
- ensure that good quality risk information is provided to senior managers and Members (link to the data quality strategy)
- Provide a framework for assurance, that is that the controls identified to mitigate a risk are operating effectively

### 1.4 Risk Appetite

Risk management should not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. Both councils' aim to proactively identify, understand and manage the risks inherent in services and associated with plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to achieve measurable value. The councils provide for a supportive culture but will not support reckless risk taking.

As such, both Cherwell District and South Northamptonshire Councils will use risk management to add value. They will aim to achieve a balance between under-managing risks (i.e. being unaware of risks and therefore having little or no control over them), and over-managing them (i.e. a resource heavy and bureaucratic level of management and control which could stifle innovation and creativity).

Appropriately managed and controlled risk-taking and innovation will be encouraged where it supports the delivery of the councils' objectives and priorities.

## 1.5 Embedding Risk Management

Risk Management is a standing item on the Joint Management Team agenda and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted regularly. The SNC Audit Committee and the CDC Accounts, Audit and Risk Committee receive quarterly risk management updates and review the strategic risk register annually. This scrutiny of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects. Key risk management activities should be included within service plans and progress monitored. As such the integration of risk into business planning, corporate objectives and performance management is an essential part of the drive to embed risk management.

Activities such as training, communication and clear risk management support arrangements help to embed risk. The following summarises key activities undertaken to ensure risk management is embedded across the councils.

1. A quarterly process of risk review covering both the strategic and operational risk registers is presented to relevant council committees to ensure Councillors have good access to risk information
2. Risk management awareness training sessions will be facilitated for Councillors and employees. Members of the committees with specific responsibility for the management of risk will be offered dedicated training events. The potential of risk management awareness to be included on induction programmes will be explored.
3. An internal audit of risk management will take place annually.
4. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
5. Support is available to risk owners when assessing new risks. The 'bow tie' risk analysis model is available to use as part of the process.
6. A process of annual review is undertaken by the Joint Management Team to ensure the risk register remains up to date and that obsolete risks are removed.
7. Officer working groups as required to embed, review or develop risk practices.
8. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

## Section 2: Risk Management Processes

### 2.1 The Risk Management Process

Risk Management follows a four stage process. Identifying risks, assessing risks, managing and controlling risks and reviewing and reporting risks.



Each of these four stages is set out in more detail (paragraphs 2.2 - 2.5) and in the accompanying risk management handbook.

The most significant feature of this process is that risk management is seen as a comprehensive management process that helps both organisations meet their objectives and avoid issues, losses and situations that could result in failing to meet strategic priorities, failure of corporate systems or failure of significant partnerships, services, programmes and projects.

To ensure this process is effectively undertaken the councils maintain and review a register of their strategic, corporate and partnership risks and opportunities and where possible link them to strategic business objectives. Ownership is assigned for each risk. The Joint Management Team identifies risks and reviews the register and both councils have committees that also undertake a monitoring and oversight role.

### 2.2 Identifying Risk and Opportunity

The process of identifying risk is both formal (as part of business and project planning – Strategic/Corporate/Partnership)) and also informal, as part of everyday activity (Operational). This section sets out the organisational process for identifying risk, however it must also be recognised that Members and staff should be risk aware and as such may identify, assess and add a risk to the register at any time.



For each risk identified the following should be considered:

- An assessment of each risk for its likelihood and impact
- The identification of mitigating (key) controls currently in place
- The assurances on the key controls that have already been established
- Gaps in keys controls
- Gaps in assurance
- Appropriate management actions and allocation of responsibility for the implementation of further mitigating management action and (where possible) an implementation date

For each opportunity identified the following should be considered established:

- Details of the opportunity identified
- Allocation of responsibility for the opportunity
- Any additional risks that this opportunity raises (including financial)
- Actions necessary to make use of the opportunity and mitigate risks, if appropriate.

#### **Identifying different types of risk:**

**Strategic Risks:** defined as those that are significant in size and duration that will impact on the reputation and performance of the councils' as a whole and in particular on its ability to deliver their strategic priorities.

**Corporate Risks:** risks that apply to corporate systems or processes that underpin the organisations' overall governance, operation and ability to deliver services.

**Partnership Risks:** risks that apply to a significant partnership meeting its objectives or delivering agreed services/ projects.

Taken together strategic, corporate and partnership risks form the basis of both councils' strategic risk registers. Generally these risks are owned by a JMT member but on occasion may be devolved to a senior manager to oversee.

These core risks will be fully reviewed by JMT on an annual basis in the fourth quarter as part of the business planning process for the forthcoming year and provides a clear opportunity to identify new risks and opportunities. The result of this discussion will also be considered by the relevant council committees. At any point in the year JMT and council committees may identify new risks. If this is the case the risk assessment method is followed and the corporate performance team adds the risk to the register.

## **Operational / Service Risks**

Operational risks should be identified and owned by the service management team, led by the head of service. The annual service planning process provides an opportunity to fully review all current operational risks and delete risks that are no longer relevant and identify any new risks. However, the identification of risk is not limited to a single point in the year and new risks may be added at any time.

The corporate performance team is able to support services by running risk workshops as required. Performance and risk champions in service areas may also help to identify risks and directors should encourage heads of service to identify and manage operational risks by reviewing risks at departmental/directorate management team meetings (it is recommended that risk and performance are reviewed at the departmental level on at least a quarterly basis and that new risks are considered as part of this process).

## **Programme / Project Risks**

Risk management should be incorporated into programme and project management right from the outset. The size and scope of the project will dictate the best way of managing the risks. However, all programmes/projects must undertake full risk assessments.

All significant programmes and projects should use a risk log which will be managed by the programme/project manager and reviewed by the relevant board.

For programme and projects which are likely to have an impact on the councils' ability to meet its strategic objectives or have a budgetary impact of over £100,000 the additional requirements are in place:

- The high level risk and its controls will be recorded and managed through the councils' strategic risk register. Detailed risks associated with the programme/project will be recorded in its risk log.
- Risk should be a frequent item on each programme/project board meeting to review existing risks and the effectiveness of their controls and to identify any new risks.
- Risk management in programmes and projects will be supported as necessary by the Programme Manager and the Corporate Performance manager.

For minor projects (low value or single service based) a risk log should still be maintained as part of good project management. However, it is unlikely that the project risks will appear on the councils' strategic risk register unless they have the potential to have significant reputational, health and safety or service provision risks, or the potential loss could exceed £100,000. If this is the case then the approach set out above with regards to significant programme / project risks should be followed.

## Shared risks

A risk can be described as shared when it has an impact on both organisations' priorities/services (although it may not be an equal impact), when both organisations must work together to mitigate and control it or when it is escalated to a joint service or programme/project. If a risk is identified as shared it will appear on both councils' risk registers.

## 2.3 Assessing Risk

Once a risk has been identified (of any type, strategic, operational or project) it needs to be assessed. The assessment process considers the likelihood that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised, as not all risks represent equal significance to the councils.

The councils' use a risk scoring matrix to work out the inherent risk score (likelihood' times the 'impact'). The inherent risk score helps to make decisions about the significance of risks to the organisations, how they will be managed, the controls required and the treatment of the risk.

The owner of the risk undertakes this assessment. For strategic risk this is checked by the corporate performance team, for programme/ project risks by the relevant board and for operational risk by the Head of Service.

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	5 =	10 ↑	15 ↑	20 ↑↑	25 ↑↑
	4 Major	4 =	8 ↑	12 ↑	16 ↑↑	20 ↑↑
	3 Moderate	3 =	6 =	9 ↑	12 ↑	15 ↑
	2 Minor	2 =	4 =	6 =	8 ↑	10 ↑
	1 Insignificant	1 =	2 =	3 =	4 =	5 =

*NB inherent risk is sometimes referred to as gross risk.*

The risk management process guide and 'new risk template' explain in greater detail what makes up the likelihood and impact scores.

The inherent risk score will determine how the risk is controlled and managed with treatment, toleration, transfer and terminate the main options (2.4 refers).

Once controls and actions to mitigate the risk have been identified a net risk score should be assessed. The inherent and net risk scores, along with the controls and actions then form the basis of the quarterly review.

## Organisational risk profile

Once strategic risks and mitigating controls/actions have been assessed the results are then plotted on a risk matrix which is included as part of the strategic risk register. Service/projects risks may be plotted in a similar way if required.

## Sources of additional information

To support the assessment of risk there is a simple risk management guide, a template to set up the risk, and a risk analysis tool (the risk bow tie) that can be used in groups or individually to help assess the nature and impact of the risk. The corporate performance team will also provide support as required.

## 2.4 Managing and Controlling Risk

Once risks have been identified and assessed, the next step is to control and manage them. This will involve the consideration of cost-effective action, which is aimed to reduce the inherent risk rating. These management actions should be focussed on gaps in terms of risk controls and assurance.

The proposed action(s) to control the risk will then be mapped against the specified risk together with an implementation date, and a named person will be designated as responsible for 'owning' the risk. The 'net' risk rating is the assessment of the risk after these controls/actions have been put in place.

These actions/controls should be included in risk documentation and/or service plans. Where a risk is associated with a programme or project it should be entered into the relevant risk log.

Managing risk is an on-going process and the commentary provided as part of the quarterly risk review process should reflect the activity taken within the quarter to control the risk.

### The Four T's

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational. The risk owner has a number of options:

**Tolerate:** The councils' may tolerate a risk where:-

- The risk opens up greater benefits
- These risks must be monitored and contingency plans should be put in place in case the risks occur.
- The risk is effectively mitigated by controls, even if it's high risk
- The risk cannot be mitigated cost effectively

**Treat:** This is the most widely used approach

The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through either containment actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or contingency actions (these are put into action after the risk has happened, reducing the impact. These must be pre-planned).

**Terminate:** Doing things differently and therefore removing the risk.

This is particularly important in terms of project risk, but is often severely limited in terms of the strategic risks of an organisation.

**Transfer:** Transferring some aspects of the risk to a third party.

For example via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against.

## 2.5 Reviewing and Reporting on Risk

As a minimum a quarterly process of reviewing and reporting on risk will be undertaken and where necessary the risk will be reviewed more frequently. This review involves consideration of all significant risks facing both councils, with risks broken down into strategic, which could impact on the achievement of council objectives, corporate risks which could impact across more than one service, and significant partnership risks.

The review should focus on four key factors:

1. whether there are any changes to the inherent/residual risk scores
2. whether new controls or actions are required
3. to what extent are there any gaps in the assurance of identified controls
4. whether the risk is still relevant

Operational/service risks and programme/project risks will be monitored and reviewed locally, on a quarterly basis. Operational/service risks will be health checked by the corporate performance team at least twice a year. Programme and project risks will be owned and reviewed by the relevant board.

All risks will be clearly defined together with the controls that currently exist to manage them. Risk ratings will be reviewed and where relevant commentary to identify progress against planned action or any emerging issues.

It is important that the internal systems and procedures in place are adequate to manage the identified risk. Where control weaknesses are identified, these should be noted so that action can be taken to remedy such weaknesses. Action to address these weaknesses should be included within the report.

## **2.6 Linking risk to business plans and performance**

### **Linking Strategic Risk to Council Business Plans**

The Strategic Risk and Opportunities Register is owned and monitored by JMT and managed by the corporate performance team. Where appropriate risks will be associated with council priorities and objectives (n.b. the priorities of one or both councils). On occasion a risk may sit outside a council priority, for example where it affects all priorities or has whole organisation impact (e.g. the risk of systems failure).

### **Incorporating Operational Risk into Service Plans**

Each service is required to produce a service plan on an annual basis. The format of the service plan is common across the two councils and ensures there are clear links between council priorities and objectives and service deliverables.

Each service plan is required to identify operational risks associated with service delivery and ideally they should be directly linked to service priorities. Likewise actions to control risks should be included within the service plan or the risk documentation itself.

Responsibility for monitoring operational risk lies with the Head of Service and service managers.

### **Integrating Risk and Performance Management**

Performance and risk will follow the same quarterly monitoring regime and performance risks will be clearly highlighted in reports. Where possible risk monitoring information will be captured using the same process as performance information.

## **2.7 Linking risk to programmes and projects**

Programme and projects adhere to the agreed corporate risk management strategy. It is recognised that the risk environment is different within programmes and projects and frequently risks are identified, actioned and closed on a faster basis than within the strategic risk environment where risks are linked into longer term strategic objectives rather than projects moving within shorter delivery timescales.

Programme or project risks may be escalated to the strategic risk register if they reach a point where they have a significant financial, reputational or strategic impact.

## Risk Management responsibilities in project environments

Corporate Management (JMT)	Responsible for providing and ensuring adherence to the Corporate Risk and Opportunity Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Director	Accountable for risk management actions agreed at DMT following escalation from project within the Directorate
Project Sponsor	<ul style="list-style-type: none"> <li>Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project</li> <li>Ensures all risks associated with the project business case are identified, assessed and controlled</li> <li>Triggers an escalation</li> </ul>
Senior user/customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled
Project Manager	<ul style="list-style-type: none"> <li>Creates the project-specific risk management approach as directed by the sponsor</li> <li>Responsible for creating and maintaining the risk register in line with requirements of the Corporate Risk and Opportunity Strategy, ensuring risk identification, assessment and control measures are implemented.</li> </ul>

## **Section 3: Roles and Responsibilities**

### **3.1 Accountability**

There will be clear accountability for risks and risk management. This is supported through each councils' Annual Governance Statement signed by the Chief Executive and the Leader of the Council, and by making both councils' risks and risk management process open to regular Member overview, internal audit and external inspections.

The overall responsibility for the effective management of risks rests with full council (at CDC and SNC) and the SNC Cabinet/CDC Executive (lead member/portfolio holder) as advised by its senior management. The overall risk champions at each council are the Director of Resources (as the Joint Management Team lead) and the Chairman of the SNC Audit Committee and the CDC Accounts, Audit and Risk Committee.

The CDC Accounts, Audit and Risk Committee and the SNC Audit Committee have specific responsibility for monitoring the councils' risk management arrangements, for undertaking an annual review of this strategy to ensure it remains current and up to date and reflects current best practice in risk management, and for making recommendations to the Cabinet/Executive if it is considered that any improvements or amendments are required.

CDC Executive Members and SNC Portfolio Holders will be briefed regularly by Heads of Service to ensure they are aware of significant risks affecting their service areas/portfolios and any improvements in controls which are proposed.

Sections 3.2 and 3.3 of this strategy outline specific Councillor and Officer accountabilities and responsibilities with regards to risk management.

### **3.2 Council Committees**

#### **Audit Committee (South Northamptonshire Council)**

The committee will monitor the effective development and operation of the council's risk management, including consideration of the risk register. The committee provides independent assurance to the Council on the effectiveness of risk management and internal control arrangements and performance effectiveness to the extent it affects exposure to risk and to inform the Annual Governance Statement.

#### **Accounts, Audit and Risk Committee (Cherwell District Council)**

The committee will ensure that corporate governance arrangements (including risk) are in place, they consider the statement of assurance and monitor the effectiveness of risk management. The committee also commissions the risk management strategy and endorses it for Executive to adopt.



### **Cabinet (South Northamptonshire District Council)**

The South Northamptonshire Cabinet will receive a quarterly update on risks in relation to performance as part of the performance exceptions report.

### **Executive (Cherwell District Council)**

The Cherwell District Council Executive will receive a quarterly update on risk where it relates to performance matters as part of the performance report.

Reflecting the roles of these committees the relevant Chairmen, Lead Members (CDC) and Portfolio Holders (SNC) will be briefed on risk matters and act as risk champions where appropriate.

## **3.3 Section 151 Officer**

The councils' Section 151 Officer is the lead officer for risk management and ensures that the councils' have robust risk management strategies in place that effectively support the system of internal control.

## **3.4 Joint Management Team**

The Joint Management Team has a number of roles with regards to risk management. As the senior management team they are likely to own many of the strategic risks on the councils' risk registers. As such they are responsible for risk review and monitoring, and as part of the performance management framework they review the strategic risk register on a quarterly basis.

JMT also have a role in identifying and highlighting new risks and working with the Corporate Performance Team to ensure they are assessed, recorded and managed.

## **3.5 Corporate Performance & Insight Team**

The Corporate Performance & Insight Team is responsible for preparing and updating the risk management strategy, for compiling and managing the strategic risk register (including preparing quarterly reports) and for ensuring operational risk management is undertaken by services and as part of programme and project management. The team researches risk best practice and helps the councils' set theirs.

In addition the team provides risk related support to managers, officer and councillors (through officers groups and risk management training) and helps prepare the Annual Governance Statement.

### **3.6 Team Managers, Officers and Staff**

Service managers and team leaders will often be responsible for operational and project risks. This includes risk identification, assessment and management. At this level risks should be included in service and project plans. For some projects a separate risk log will be required.

In some cases JMT members may devolve the day to day responsibility for managing a strategic, corporate or partnership risk to a service manager. If this is the case the manager will be expected to update the strategic risk register on a quarterly basis.

Staff without direct responsibility for owning and managing a risk still have an essential role to play in helping teams identify potential risks associated with service delivery and implementation of projects. As such staff should be involved in risk discussions within teams as they would be with regards to performance management.

### **3.7 The Risk Management Working Group**

A Risk Management Working Group will be established to support risk management both strategically and operationally. This group will identify new risks, review existing risks and act as a champion for risk management across both Councils, and will include representation from each directorate.

## **Section 4: Monitoring and Review**

### **4.1 Annual Review of the Risk Strategy**

The Risk and Opportunities Management Strategy will be reviewed on an annual basis and this review will take into account any issues highlighted by the internal audit of risk management. In addition the strategic risk register will be fully reviewed by the Joint Management Team during the fourth quarter and as part of the annual service planning process managers will be asked to fully review their operational risks.

### **4.2 Quarterly Monitoring of the Strategy and Register**

As part of the risk and opportunities management process it is expected that risks (whether strategic or operational) are reviewed on a quarterly basis.

A quarterly report will be taken to the Accounts, Audit and Risk Committee (Cherwell District Council) and the Audit Committee (South Northamptonshire Council) providing a summary of this quarterly review and in addition highlighting any issues arising with regards to the implementation of or compliance with the Risk Strategy. The review will include commentary regarding the current risk score, the controls in place and whether any gaps have been identified in terms of the assurance that the controls are effective.

### **4.3 Internal Audit**

Internal Audit will be in a position to provide assurance on the internal control environment, in line with their planned programme of work. Internal Audit will plan the annual audit coverage based on a risk assessment, and on the levels of assurance that can be obtained from other assurance providers. The Code of Practice for Internal Audit in Local Government in the United Kingdom defines Internal Audit as;

‘An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources’.

It is envisaged that Internal Audit and Risk Management will co-ordinate assurance by:

- Independently reviewing the risk management strategy and process.
- Completing risk based reviews of the key controls identified to mitigate the principal risk to the councils’ achievement of their strategic objectives.
- Referring to the councils’ risk registers when planning audit work.

### **4.4 External Audit and Review**

#### **External Audit**

External Audit is a key source of assurance and both councils should take into account the external audit management letter and reports. However, it is worth noting that the work of external audit has to be independent and the councils should not rely on external audit for advice and guidance as that is not their role.

#### **Review Agencies and Inspectorates**

Aspects of the organisations’ activities may be subject to independent inspection and assessment. These reports are likely to identify areas of strength and issues to address and may also provide some assurance. Reports from the Local Government Ombudsman may also provide a further source of assurance.

## **Section 5: Corporate Governance**

### **5.1 Annual Governance Statement**

Regulation 4 of the Account and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of their systems of internal control. This review is incorporated within the Annual Governance Statement that is published alongside the statement of accounts for both councils.

The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The process of preparing the Annual Governance Statement will add value to the corporate governance and internal control framework of an organisation.

The statement needs to be approved separately to the accounts and signed as a minimum by the Chief Executive and the Leader of the Council. At each council the production of the Annual Governance Statement will be reliant upon the contents of some or all of the following. These sources of assurance are:

- Internal audit annual report
- External audit management letter
- Review Agencies and Inspectorates (where appropriate)
- Other internal review mechanisms
- The Strategic Risk and Opportunities Register, including controls and actions
- Operational Risk Registers, including controls and actions
- Statements of Assurance
- Identification of risks highlighted by the Joint Management Team
- Audit Committees at both councils
- Performance Management Framework
- Health and Safety Adviser

### **5.2 Statements of Assurance**

In order for the Chief Executive and the Leader of the Council to be able to sign off the Annual Governance Statement there is a requirement for each Head of Service to complete a statement of assurance taking responsibility for their individual service/operational risk registers and the implementation of the management actions contained within it. These statements of assurance will be completed on an annual basis to feed into the Annual Governance Statement.

The Chief Executive or, in the absence of the Chief Executive, a Director/Section 151 Officer, needs to sign a statement of assurance for the Strategic Risk and Opportunities Register.

## **Section 6: Contacts and Further Guidance**

### **6.1 Contacts**

Paul Sutton – Chief Finance Officer and S151 Officer  
Paul.Sutton@cherwellandsouthnorthants.gov.uk  
Telephone: 01295221634

Louise Tustian – Senior Performance & Improvement Officer  
Louise.Tustian2@cherwellandsouthnorthants.gov.uk  
Telephone: 01295 221786.

### **6.2 Supporting Documents / Guidance**

In addition to this strategy the following documents provide information and guidance with regards to risk management:

1. A quick guide to risk management – a three page summary of the councils' approach to risk
2. New risk assessment template – a two page template that takes you through the process of assessing a new risk or fully reviewing an existing risk
3. The risk process guide – a comprehensive guide to risk management

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## Cherwell District Council

### Accounts, Audit and Risk Committee

21 September 2016

#### Quarter 1 Treasury Management Report

#### Report of the Chief Finance Officer

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 2016/17 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 1 Treasury Management Report

#### 2.0 Introduction

- 2.1 As part of the Council's investment strategy and governance arrangements this committee considers the investment performance to date and 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 22nd 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 3 months of 2016/17.

## 3.0 Report Details

### 2016/17 Performance

- 3.1 At the end of June 2016 the Council had £38.0m managed in-house (including Eco Town funds of £11.5m) 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 per 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 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 (this applies in particular to nationalised and semi nationalised UK banks).

- 3.4 **Capita Asset Services provide the following Economic Background report for the quarter ended 30th June 2016:**

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8% so this shows that growth had slowed down, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back again to +0.4% (2.0% y/y) in quarter 1 of 2016.

During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen against the Euro by 14% which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016.

The Bank of England May Inflation Report included a forecast for growth for 2016 of 2.0% and 2.3% for 2017 on the assumption that the referendum result was a vote to remain. The Governor of the Bank of England, Mark Carney, warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. In his 30 June and 1 July speeches, Carney indicated that the Monetary Policy Committee (MPC),



would be likely to cut Bank Rate and would consider doing further quantitative easing purchasing of gilts, in order to support growth. However, he did also warn that the Bank cannot do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation).

The May Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, the falls in the price of oil and food twelve months ago will be falling out of the calculation of CPI during 2016 and in addition, the recent 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a time period of 3-4 years. There is therefore likely to be acceleration in the pace of increase in inflation which could make life interesting for an MPC which wants to help promote growth in the economy by keeping Bank Rate low.

The American economy had a patchy 2015 – quarter 1 0.6% (annualised), 3.9% in quarter 2, 2.0% in quarter 3 and 1.4% in quarter 4, leaving growth in 2015 as a whole at 2.4%. Quarter 1 of 2016 came in at +1.1% but forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, has caused a re-emergence of caution over the timing and pace of further increases. It is likely there will now be only one more increase in 2016.

In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) and is expected to continue growing but at only a modest pace. The ECB is also struggling to get inflation up from near zero towards its target of 2%.

- 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 June 2016 was £45.9m. 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, funding of Graven Hill and progress on the Capital Programme and ECO Bicester.

3.6 Investment performance for quarter ended 30<sup>th</sup> June 2016 was:

Fund	Funds invested at end-date	Budget Interest	Actual Interest	Variance	Rate of return*
In House	£38.0m	£43,750	£68,180	£24,410	0.59%
<b>Total</b>	<b>£38.0m</b>	<b>£43,750</b>	<b>£68,180</b>	<b>£24,410</b>	<b>0.59%</b>

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

3.7 Interest is forecast to be ahead of budgeted levels despite the reduction in rates following the EU Referendum. A major factor for this is the delayed payment of £12million to Graven Hill for the purchase of land from the MOD, which is not expected before September 2016.

3.8 The value of interest up to the end of June includes accrued interest on Gilts (only payable twice a year) and investments maturing after that date.

#### **Icelandic Investments**

3.9 As covered in previous reports, the remaining Icelandic funds have now been repaid in full, with associated interest (not included in the above figures).

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

4.1 This report details the Treasury Performance for the Council for the three months ended 30 June 2016.

## **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 the Audit Committee as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by: Ed Bailey, Corporate Performance Manager, 01295 221605  
[edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@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**

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

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# Agenda Item 14

## Accounts, Audit and Risk Committee Work Programme 2016/17

Date	Agenda Items
21 September	Internal Audit Progress Report External Audit Annual Results Report Statement of Accounts Approval Arrangements for Appointment of External Auditors Corporate Fraud Q1 Corporate Risk Q1 Treasury Management Q1 Finance Improvement Plan - Update
30 November	Internal Audit Progress Report External Audit Annual Audit Letter Corporate Fraud Q2 Corporate Risk Q2 Treasury Management Q2 Treasury Management Strategy Finance Improvement Plan - Follow-up
25 January	Internal Audit Progress Report External Audit Progress Report and Annual Certification of Grants Claims
31 March	Internal Audit Progress Report and Audit Plan External Audit Audit Plan Corporate Fraud Q3 Corporate Risk Q3 Treasury Management Q3

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