

Public Document Pack



Committee: Accounts, Audit and Risk Committee
Date: Wednesday 28 June 2017
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Ian Corkin (Chairman)
Councillor Sean Gaul
Councillor Nicholas Mawer
Councillor Tom Wallis

Councillor Hugo Brown (Vice-Chairman)
Councillor Mike Kerford-Byrnes
Councillor Barry Richards
Councillor Sean Woodcock

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 22 March 2017 and 16 May 2017.

6. Chairman's Announcements

To receive communications from the Chairman.

7. External Audit Progress Report (verbal)

Verbal update by Chief Finance Officer

8. External Audit Letter to the Committee (Pages 7 - 16)

Report of the Chief Finance Officer

Purpose of report

The purpose of this report is to inform members of the response to the Ernst Young letter to the Chairman of this Committee.

Recommendations

The meeting is recommended:

- 1.1 To approve the response to external audit's request for management assurances from Those Charged With Governance in Appendix 1.

9. Internal Audit - Annual Report for 2016/17 and Progress Report 2017/18 (Pages 17 - 90)

** Please note that Appendix 1 to this report will follow as it is currently being reviewed and finalised **

Report of the Chief Finance Officer

Purpose of report

To receive PwC's annual report for 2016/17, internal audit reports finalised since the last meeting and the CWAS progress report for 2017/18.

Recommendations

The meeting is recommended to note:

- 1.1 The contents of the 2016/17 annual report from PWC and audit reports finalised since the last meeting.
- 1.2 The contents of the 2017/18 progress report from CWAS.

10. Corporate Fraud Team Update (Pages 91 - 112)

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 an end of year performance summary for 2016-2017 and to present members with the Corporate Fraud Business Plan for 2017-2018.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report
- 1.2 To request that members consider and endorse the Corporate Fraud Business Plan for 2017-2018.

11. End of year Risk Review 2016-17 (Pages 113 - 132)

Report of Director - Strategy and Commissioning

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the final quarter of 2016/17.

Recommendations

The meeting is recommended:

- 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 the risks continuing into 2017/18.

12. 2016/17 Treasury Management Annual Report (Pages 133 - 136)

** Appendix 1 to this report will follow as it is currently being reviewed and finalised
**

Report of the Chief Finance Officer

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 2016/17 as required by the Treasury Management Code of Practice.

Recommendations

- 1.1 To note the contents of this report in line with the Treasury Management Strategy.

13. Annual Governance Statement 2016/17 (Pages 137 - 156)

Report of the Chief Finance Officer

Purpose of report

To report the Annual Governance Statement. The Annual Governance Statement will be considered at the same time as the Statement of Accounts for 2016/17.

Recommendations

The meeting is recommended:

- 1.1 The Committee is recommended to consider and endorse the Annual Governance Statement 2016/17 (Appendix 1).

14. Housing Benefit and Council Tax Reduction Risk Based Verification Policy (Pages 157 - 170)

Report of the Chief Finance Officer

Purpose of report

To seek support from members of this Committee for the introduction of a Risk Based Verification Policy for new claims for Housing Benefit and Council Tax Reduction with effect from 28th June 2017 or from the date that the Benefits work is insourced from Capita and the Academy processing system is introduced whichever is the later.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.
- 1.2 To recommend to the section 151 officer the adoption of the Risk Based Verification Policy in determining the evidence requirements for the assessment of new Housing Benefit and Council Tax Reduction claims.

15. KPMG NNDR Audit Follow-up (Pages 171 - 204)

Report of the Chief Finance Officer

Purpose of report

The purpose of this report is to inform members of the findings of the KPMG follow-up review of their NNDR report.

Recommendations

The meeting is recommended:

1.1 To note the report.

16. Closedown Update (verbal)

Verbal update by Chief Finance Officer

17. Work Programme (Pages 205 - 206)

To consider and review the Work Programme.

18. Exclusion of Press and Public

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

2 – Information which is likely to reveal the identity of an individual.

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 item of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraphs 2 and 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.”

19. Corporate Fraud Team Update - Exempt Appendices (Pages 207 - 246)

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

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwellandsouthnorthants.gov.uk or 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, 01295 227956

Ian Davies
Interim Head of Paid Service

Published on Tuesday 20 June 2017

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 22 March 2017 at 6.30 pm

Present:

Councillor Ian Corkin (Vice-Chairman)

Councillor Hugo Brown
Councillor Sean Gaul
Councillor Mike Kerford-Byrnes
Councillor Nicholas Mawer
Councillor Barry Richards
Councillor Tom Wallis
Councillor Sean Woodcock

Also Present: Councillor Ken Atack
Councillor Barry Wood

Officers: Paul Sutton, Chief Finance Officer / Section 151 Officer
Sanjay Sharma, Interim Head of Finance / Deputy Section 151 Officer
Aaron Hetherington, Democratic and Elections Officer
Steve Bladen, Manager, Ernst Young (External Audit)
Chris Dickens, Chief Internal Auditor, Internal Audit, PwC
Tim Ridout, Assistant Director of Internal Audit

60 **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.

61 **Appointment of Chairman for the Remainder of the Municipal Year 2016/17**

Resolved

- (1) That Councillor Ian Corkin be appointed for the remainder of the Municipal year 2016/17.

(The Democratic and Elections Officer presided over the appointment of the Chairman. The Vice-Chairman having been appointed Chairman, it was

subsequently necessary to appoint a new Vice-Chairman for the remainder of the municipal year 2016/17)

- (2) That Councillor Hugo Brown be appointed Vice-Chairman for the remainder of the Municipal year 2016/17.

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

There were no petitions or requests to address the meeting.

63 **Urgent Business**

There were no items of urgent business.

64 **Minutes**

The Minutes of the meeting of the Committee held on 25 January 2017 were agreed as a correct record and signed by the Chairman.

65 **Chairman's Announcements**

There were no Chairman's announcements.

66 **External Audit: Certification of Claims 2015/16 and Annual Audit Plan 2016/17**

The Chief Finance Officer submitted a report to receive Ernst & Youngs LLP's report setting out the External Audit Plan for the financial year 2016/17 and their report on the certification of grant claims for 2015/16

Resolved

- (1) That the External Audit Plan for 2016/17 be noted.
- (2) That the Certification of Claims for 2015/16 be noted.

67 **Internal Audit - Progress Report 2016/17, Internal Audit Plan 2017/18 and Internal Audit Charter**

The Chief Finance Officer submitted a report which presented to receive PwC's progress summarising their internal audit work to date. The report also sought approval of the Strategic Internal Audit Plan 2017/18 to 2019/20, the Operational Internal Audit Plan for 2017/18 and the Internal Audit Charter.

Resolved

- (1) That the contents of the 2016/17 progress report from PwC be noted.

- (2) That the Strategic Internal Audit Plan for 2017/18 to 2019/20 be approved.
- (3) That the 2017/18 Operational Internal Audit Plan be approved.
- (4) That the Internal Audit Charter be approved.

68 **Quarter Three Risk Review 2016-17**

The Director of Strategy and Commissioning submitted a report to update the Committee on the management of Strategic, Corporate and Partnership risks during the third quarter of 2016/17.

Resolved

- (1) That, having given due consideration, the Full Strategic, Corporate and Partnership Risk Register for 2016/17 be noted.
- (2) That the risk exceptions highlighted and proposed actions be noted.

69 **Housing Benefit Subsidy**

The Chief Finance Officer submitted a report to provide members of the Accounts Audit and Risk Committee with an update on the recent Housing Benefit subsidy audit and the resulting actions that have been taken.

Resolved

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

70 **Q3 Treasury Management Report**

The Chief Finance Officer submitted a report to provide members information on treasury management performance and compliance with treasury management policy for 2016/17 as required by the Treasury Management Code of Practice.

Resolved

- (1) That the contents of the third quarter (Q3) Treasury Management Report be noted.

71 **Accounts Closedown Update**

The Chief Finance Officer provided a verbal update on the accounts closedown.

Resolved

- (1) That the Verbal update be noted.

72 **Work Programme**

The Committee considered its work programme for 2016/17.

Resolved

- (1) That the work programme be noted.

73 **Exclusion of Press and Public**

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.

74 **Appendix 1 - Q3 Cherwell TM report December 31st 2016**

Resolved

- (1) That the exempt appendix be noted.

The meeting ended at 8.20 pm

Chairman:

Date:

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 16 May 2017 at 7.48pm

Present: Councillor Ian Corkin (Chairman)
Councillor Hugo Brown (Vice-Chairman)

Councillor Sean Gaul
Councillor Mike Kerford-Byrnes
Councillor Nicholas Mawer
Councillor Barry Richards
Councillor Tom Wallis
Councillor Sean Woodcock

1 Appointment of Chairman for the Municipal Year 2017/2018

Resolved

That Councillor Ian Corkin be appointed Chairman of the Accounts, Audit and Risk Committee for the municipal year 2017/2018.

2 Appointment of Vice-Chairman for the Municipal Year 2017/2018

Resolved

That Councillor Hugo Brown be appointed Vice-Chairman of the Accounts, Audit and Risk Committee for the municipal year 2017/2018.

The meeting ended at 7.50 pm

Chairman:

Date:

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Cherwell District Council

Accounts, Audit and Risk Committee

28 June 2017

External Audit Letter to the Committee

Report of the Chief Finance Officer

This report is public

Purpose of report

The purpose of this report is to inform members of the response to the Ernst Young letter to the Chairman of this Committee.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended:

- 1.1 To approve the response to external audit's request for management assurances from Those Charged With Governance in Appendix 1.

2.0 Introduction

This report is to inform members of the response to the External Audit letter to this Committee.

3.0 Report Details

- 3.1 Auditing standards require external audit to formally update their understanding of the Council's management processes and arrangements each year. They do this by asking the Audit Committee (as Those Charged with Governance) a series of questions surrounding the Council's management arrangements.
- 3.2 The response to these questions is contained in Appendix 1. This has been reviewed by the Chief Finance Officer and the Monitoring Officer.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Audit Committee is recommended to note the progress in preparation of the Accounts for 2016-17 and to approve the response to external audit on the Council's management arrangements.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The response to the external audit letter is a requirement of the regulations.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Sanjay Sharma, Interim Head of Finance, 01295 221564

sanjay.sharma@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 and Governance, 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Implications

7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by:

Louise Tustian, Team Leader – Strategic Intelligence and Insight, 01295 221605

louise.tustian@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

8.0 Decision Information

Wards Affected

None

Links to Corporate Plan and Policy Framework

None

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Those Charged With Governance's response to external audit's request for management assurances
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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Finance & Procurement

Paul Sutton, Chief Finance Officer



DISTRICT COUNCIL
NORTH OXFORDSHIRE

Neil Harris
Executive Director
Ernst Young LLP

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Bodicote
Banbury
Oxfordshire
OX15 4AA*

www.cherwell.gov.uk

Please ask for: Paul Sutton

Direct Dial: 03000 030 0106

Email: Paul.Sutton@cherwellandsouthnorthants.gov.uk

Our Ref: DT/PS

Dear Neil

Understanding how the Accounts, Audit and Risk Committee gains assurance from management

I refer to the annual requirement for the Council to provide its external auditors details of the management assurance process that is in place. I have set down below the arrangements that those charged with governance (the Accounts, Audit & Risk Committee) have in place to gain the necessary assurance from management.

1) How the Accounts Audit and Risk Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

The committee receives regular reports on fraud at their meetings but also relies on the Chief Finance Officer, Internal Audit and, to a lesser extent External Audit, to report to them or to me as committee chairman if fraudulent activity has been uncovered. I am confident that all significant instances of fraud have been properly reported to me or the committee. I am also confident that if there was an awareness of a fraud, at senior management level, that would potentially materially misstate the accounts I would be informed immediately. No such incidents have taken place in 2016/17 and therefore based on the information I am aware of at the moment I am assured that the accounts are not materially misstated as a result of fraudulent activity.

- **identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been**

brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;

The committee receives regular reports and updates on risk management, anti-fraud, corruption and bribery and whistle blowing. All of these items are standard items on the agenda and are covered at each meeting by the Chief Finance Officer. I also outline the arrangements in place;

(a) Management Arrangements

- The financial statements are prepared in line with the Statement of Recommended Practice and are subject to internal quality assurance arrangements and an assurance framework of S151 assurances that review areas of highest risk. The accounts are subject to a series of analytical reviews that would identify major movements between years and seek explanations that would assess the likelihood for material misstatement.
- A risk assessment relating to the preparation of the accounts is undertaken each year by the Chief Finance Officer and issues raised by Internal or External audit are given particular attention.
- The Council's finance function includes a service accountancy team who directly support and advise all the Council directorates. Through monthly support, challenge and review of the financial spend as part of budget monitoring, any material misstatement against budget or spend should be picked up.
- The officers who prepare the statements are experienced accountants who undertake CPD activities. Their work is segregated where feasible and they work to local and professional codes of conduct.
- Fundamental audits are conducted annually and reported to the Accounts, Audit & Risk Committee on the main accounting system by our Internal Auditors PwC.

(b) Accounts, Audit & Risk Committee

- The Committee considers the internal control arrangements exercised by the Council as part of the Annual Governance Statement along with the S151 Officer's report on the accounts including the S151 Officer's arrangements for production of the accounts.
- In receiving the annual accounts from the S151 Officer, the Committee will enquire of him and the deputy s151 officer whether any further action has been taken to minimise the risk of misstatement due to fraud.
- The committee has regular updates and presentations on Fraud. These presentations highlight the areas that this committee should focus on when reviewing financial statements in order to seek assurances from officers that the accounts are not subject to any risk.

- The Accounts, Audit & Risk Committee consider all internal audit reports including those on fundamental systems and are able to take into account the likelihood of fraud being detected.
- The Annual Governance Statement, the reports from the Head of Internal Audit on internal control and S151 Officer on the adequacy and effectiveness of internal audit are further bases for coming to a judgement on the risk of misstatement. However, nothing has come to the attention of the Accounts, Audit & Risk Committee which would cause the Committee to consider there is a risk that the financial statements for 2016/17 could be misstated as a result of fraud.
- All members (including the Accounts, Audit & Risk Committee) are aware of the in year budget reporting and monitoring arrangements to Executive and Overview and Scrutiny. All budgets are assigned to a named individual.
- The Accounts, Audit & Risk Committee note the inclusion within the constitution of contract and financial procedure rules and application of external codes such as CIPFA's Treasury Management Code of Practice, which has been reviewed regularly during the course of 2016/17.
- The Accounts, Audit & Risk Committee is regularly advised on the progress with investigations and where relevant will question whether the nature of the allegations under investigation and any findings could impact on the accuracy of the financial statements.
- The Internal Audit Report of the Chief Internal Auditor and the Annual Governance Statement reported to this committee highlight areas where the Council should seek improved control effectiveness.

On occasions when there is something to report outside of the normal committee framework the Chief Finance Officer will contact me to brief me on the issue and discuss it. The Internal Audit manager and External Audit manager, as well as all officers have the right to raise, directly, any issues with me they feel I need to be aware of.

- **communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct);**

The Monitoring Officer and the Standards Committee are responsible for the Council's ethical governance arrangements. The Monitoring Officer is proactive in raising awareness of the ethical agenda with employees and members. Compliance with ethical standards is monitored by the Monitoring Officer and, when required, the Standards Committee.

A new employee code of conduct was introduced in 2015/16 requiring employees to notify all relevant personal interests to their Head of Service/Director. Completed

declaration forms are accessible by the Chief Executive, the Section 151 officer and the Monitoring Officer.

Employees and Committee members are aware that identifying and responding to fraud should be done through the responsible financial officer. This is reinforced by the regular update on anti-fraud and corruption issues, risk management and whistle blowing updates. The Anti-Fraud, Corruption and Bribery Policy, the Money Laundering Policy and the Whistle Blowing Policy have been updated to take account of the joint working arrangements and these policies are available to view on the Councils intranet sites.

The Council are members of the National Anti-Fraud Network and the Investigations team receives National Fraud Alerts, which are cascaded to the Council and specific areas at risk of fraud. Finance is an area regularly monitored.

- **encouraging employees to report their concerns about fraud**

Employees are aware that identifying and responding to fraud should be done through the responsible financial officer. Briefing messages are sent to staff on issues when it is felt appropriate to do so.

- **communicating to you the processes for identifying and responding to fraud or error.**

The Accounts, Audit & Risk Committee receive written and verbal reports from the S151 Officer and Chief Internal Auditor.

The Chief Internal Auditor produces an annual report which includes his opinion on the adequacy and effectiveness of the Council's system of internal control. This report highlights anything that constitutes a significant control weakness during the year under review. The Annual Internal audit report for 2016/17 will be presented to the Accounts, Audit & Risk Committee in June 2017.

Their work has identified some high rated risks relating to IT security and business continuity, these risks are being addressed by the Council. The Accounts, Audit and Risk Committee monitors the action plans associated with all risks identified.

2) How does the Accounts, Audit and Risk Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

(a) Management Processes

- Submission to the Accounts, Audit & Risk Committee of regular updates on fraud activity and initiatives to deter and detect fraud such as the whistle blowing policy.
- The Chief Internal Auditor undertakes an annual risk assessment exercise in formulating the Internal Audit Plan. This plan is then

submitted to the Accounts, Audit and Risk Committee for approval. For the current year 2016/17, the audit plan was approved by the Committee in March 16. The Committee is aware of the allocation of time in the annual audit plan for counter fraud activity.

- The activity of the Council's Corporate Fraud Investigation team is also included in the Chief Internal Auditors' progress reports to the Accounts, Audit and Risk Committee.
- Reporting of National Fraud Initiative outcomes.

(b) The Accounts, Audit & Risk Committee

- The Accounts, Audit & Risk Committee has access to all internal audit reports and within these reports any possible fraudulent activity identified through the audit work would be recorded. In addition, the Chief Internal Auditor would report any fraudulent, or potentially fraudulent, activity to the Committee in his regular progress reports.
- The Chief Internal Auditor, and where appropriate the Monitoring Officer and S151 Officer, are required to advise about each case of alleged fraud. The committee receives regular update reports and communication regarding fraud and if required these would be detailed in the annual governance statement and the committee annual report.

3) Are the Committee aware of any: breaches of, or deficiencies in, internal control; and actual, suspected or alleged frauds during 2016/17?

I, on behalf of the Committee, have no knowledge of any actual or suspected alleged frauds that could have a significant impact on the Council's 2016/17 financial statements. I am confident that if any such instances were discovered, suspected or alleged they would be brought to my attention by the Chief Finance Officer or his deputy.

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

I am not aware of any organisational or management pressure placed on staff to meet financial or organisational targets.

5) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2016/17?

The authority has a statutory S151 officer (Chief Finance Officer) and monitoring officer (the Head of Law and Governance) who are responsible for ensuring, as far as possible, that all relevant laws and regulations have been complied with.

The Monitoring Officer and S151 Officer, via membership of the Joint Management Team and through the established process for reporting to members under the executive arrangements, will advise on and identify areas of concern and risk of non-

compliance. Arrangements are established under the Constitution (e.g. contract procedure rules) to ensure that appropriate consideration is given to (and advice taken on) the application of the legal and regulatory framework.

The constitution provides further safeguards as do the management assurance statements that are provide by all senior managers and the annual governance statement.

I am pleased to state that there have been no instances of non-compliance to date. Should there be any I would expect they would be referred to my committee for consideration.

6) Is the Accounts, Audit and Risk Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The committee is not aware of any potential claims as at the date of this letter, but will continue to receive an update on any potential issues and consideration if we need to make formal representation in our financial statements. Officers will be in a position to provide you with any additional information you may need.

7) How does the Accounts, Audit and Risk Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

We have considered the going concern assumption and have not identified any events which may impact on the authority's ability to continue as a going concern. The Council has adequate general fund reserves and continually reviews its risk register and mitigations.

As Chairman of the Accounts, Audit & Risk Committee, I have signed this letter on behalf of the committee. The content of this letter will also be discussed at the Accounts, Audit & Risk Committee on 28 June 2017.

Yours sincerely

Councillor Ian Corkin
Chairman of the Accounts, Audit & Risk Committee

Cherwell District Council

Accounts Audit and Risk Committee

28 June 2017

Internal Audit – Annual Report for 2016/17 and Progress Report 2017/18

Report of the Chief Finance Officer

This report is public

Purpose of report

To receive PwC's annual report for 2016/17, internal audit reports finalised since the last meeting and the CWAS progress report for 2017/18.

1.0 Recommendations

The meeting is recommended to note:

- 1.1 the contents of the 2016/17 annual report from PWC and audit reports finalised since the last meeting.
- 1.2 the contents of the 2017/18 progress report from CWAS.

2.0 Introduction

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

3.0 Report Details

- 3.1 PWC have yet to complete their planned work programme for 2016/17 but are due to issue an annual report, see Appendix 1 (to follow) and two reports covering reviews of Risk Management (see Appendix 2) and Finance (see Appendix 3).
- 3.2 CWAS is on track to deliver its planned programme of work for the 2017/18 year see Appendix 4.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The PWC annual reports summarise their work for 2016/17 and report on the findings of the Risk Management Review and Finance Review.

4.2 The CWAS report provides details of progress against the programme of work for 2017/18.

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:

Sanjay Sharma, Interim Head of Finance, 01295 221564

sanjay.sharma@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

Risk Management Implications

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

Comments checked by:

Louise Tustian, Team Leader – Strategic Intelligence and Insight, 01295 221786

louise.tustian@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

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 Annual Report for 2016/17 (to follow)
Appendix 2	PWC Risk Management Review
Appendix 3	PWC Finance Review
Appendix 4	CWAS Progress Report 2017/18.
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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Internal Audit Report 2016/2017

Risk Management

*Cherwell District
Council & South
Northamptonshire
Council*

*Final
June 2017*
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Executive summary

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Background and scope

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Current year findings

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Prior year open findings

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Appendices

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

Distribution list

For action:

Louise Aston, Democratic & Elections Team Leader
Nicola Riley, Shared Community Services Manager
Louise Tustian, Senior Performance & Improvement Officer

For information:

Paul Sutton, Head of Finance and Procurement and Section 151 Officer
Ian Davis, Interim Chief Executive

Executive summary

Report classification



Medium (11 points)

Page 23

Trend – performance is the same at the prior year



Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	5	0
Operating effectiveness	-	-	-	3	-
Total	-	-	1	8	0

Executive summary



Headlines/summary of findings

Risk management is the process of identifying and mitigating risks to the achievement of the Council’s strategic objectives. The Councils have a dedicated Risk Working Group which identifies and discusses risks and approaches to managing them, this is composed of attendees from across the Council’s directorates. The Accounts Audit and Risk Committee and Audit Committee have overall responsibility for overseeing risk management, and risks are reported to the Committee regularly.

We performed a review on risk management focusing on how risks are captured, monitored and reported. We looked at 2 shared risks from the council’s corporate risk register:

- C16: Inability to download new voter registrations (Shared)
- Co8: Safeguarding children (Shared)
- The ICT loss of systems is now covered as part of the separate Cyber and BCM reviews and not in this review.

During the review, the following areas of improvement have been identified:

Finding 1 (Medium) - Identification of Non-financial Risks – There is a risk that not all key non-financial risks are on the Corporate Risk Register as when the New Voter Registration was raised there was initial pushback and challenge from the Corporate Performance Team as this risk was not a financial risk.

Finding 2 (Low) - Checks by the Performance Management team

- Departmental risks - The Performance team perform checks on each department’s Operational Risk Register periodically. We found no evidence of this during the audit, nor was there any indication of how often these occur.
- Attendance at risk management workshops – There is no control for the Performance Management team to check which staff have attended the risk management workshops and if those in key roles have been identified and should have access to refresher or ongoing updates.

Finding 3 (Low) – Documentation

- Risk Management Handbook - The Risk Management Handbook does not include details of when it was created, when it was last reviewed, nor when it is next due to be reviewed.
- Risk Register - The Risk register does not state who the control owners are.
- Risk template - There is a new template on the Performance Matters system. The new design does not require the sign off of the risk by the Corporate Performance Manager. The Corporate Performance Manager may not have reviewed the risk to ensure there are appropriate controls and actions to mitigate risk. For the Safeguarding Children risk it was noted that the template (old template format) was incomplete; the Corporate Performance Manager has not completed the sign off section.
- Cabinet and Executive Committees - The CDC Executive and the SNC Cabinet receive a quarterly update on risks in relation to performance as part of the performance exceptions report. The minutes record a performance update, but there is no evidence about any discussion on the risk register.

Executive summary (2 of 2)



Finding 4 (Low) – Operational Risk Registers – Neither the New Voter Registration and the Safeguarding Children risks have an Operational Risk Register.

Finding 5 (Low) – Informal Risk Meetings - New Voter Registration - There are no formal team meetings so it is not always evident how specific risks are monitored at operational level. If these were in place this would allow the team to better monitor and assess the risk going forward.

Finding 6 (Low) – Documentation of the Risk Register

- Corporate Risk Register - The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions.
- New Voter Registration - Compensating controls are missing on the Risk Template and Corporate Risk Register.
- Elections 2016 Risk Register - The risks do not clearly align to objectives.

Finding 7 (Low) – Cancelled Meetings for Safeguarding Children - There are quarterly internal safeguarding lead meetings. We tested 2 meetings and found the Q3 meeting did not go ahead due to attendees' availability.

Finding 8 (Low) – Training (Safeguarding Children)

- Staff Awareness of New Procedures - We obtained the results of the annual survey for frontline staff with 64/150 staff not having awareness of the new safeguarding procedures. It is unclear as to why there was this lack in awareness.
- E-learns - The control owner does not have a copy of who has completed the safeguarding e-learns showing that it is not monitored.
- Emergency procedures - Emergency safeguarding summit/procedures are not formally documented.

Finding 9 (Low) – KPIs – There are no KPIs for New Voter Registration or Safeguarding Children risks. Performance reporting should be integrated into risk management process.

Background and scope

Background

Risk management is the process of identifying and mitigating risks to the achievement of the Council’s strategic objectives.

The Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council have overall responsibility for overseeing risk management and risks are reported to Committee on a regular basis.

Scope

We reviewed the design and operating effectiveness of key controls in place over the risk management process during the period 2016/17. Our work focused on the key controls and processes for identifying, capturing and monitoring risk. The sub-processes and related control objectives included in this review were:

Sub-process	Control objectives
Risk Capture	<ul style="list-style-type: none"> All significant risks to the Council are recognised in a single cohesive system.
Risk Monitoring	<ul style="list-style-type: none"> Service risks are appropriately captured and escalated into corporate risks in line with policy. All risks are regularly monitored and mitigation measures updated as necessary. Corporate and service risk monitoring arrangements are appropriate and undertaken in line with policy.
Risk Reporting	<ul style="list-style-type: none"> Risk escalation process is documented, understood and applied in line with policy. The risk register is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level. Service risks are reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.

Current year findings (1 of 9)

Identification of Non-financial Risks

Control design

Page 27

1

Finding and root cause

In order for risks to be added to the Corporate Risk Register, these need to be escalated from the person that identified the risk, to their manager who will then raise it to the Corporate Performance team who then take to JMT and Audit Committee (SNC)/Accounts, Audit and Risk Committee (CDC) for final approval.

There was initial pushback from the Corporate Performance Team when the New Voter Registration risk was raised by the Democratic & Elections Team as it was not a financial risk.

Implications

The Councils could be missing risks that are significant but not financial.

Action plan

The Councils will consider all risks, not just financial ones.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Finding rating

Rating

Medium

Current year findings (2 of 9)

Checks by the Performance Management Team

Control design

Page 28

2

Finding and root cause

Departmental risks

Each department should have a Operational Risk Register, which drives the risks being brought into the Corporate Risk Register. The Performance Management team will check through these periodically and if the same concern is appearing will look to escalate / add into the Corporate Risk Register.

During the audit we found no evidence of how these checks were completed, nor was there any indication of how often they are performed and the criteria for the assessment made.

Attendance at risk management workshops

There have been 5 risk management training workshops during the year, 4 hosted by PwC and 1 by Zurich External Auditors. The Acting Corporate Performance Manager’s records state a total of 77 staff across JMT (Joint Management Team), SMT (Senior Management Team) and frontline staff attended.

Training is targeted at a high level to cover anyone that could or is a risk owner; manager/team manager level but there are no formal checks by the Performance Management team to ensure those that should be attending are identified and training plans are in place.

Implications

There could be knowledge gaps in teams if there is not at least one member per team in attendance.

Action plan

Departmental risks – The Performance Management will evidence checks.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Attendance at risk management workshops - The Performance Management team will target the risk training/workshops to identify potential frontline/key staff who work in risky areas. This will be a proactive rather than reactive approach.

Target date:

31/07/2017

Finding rating

Rating

Low

Current year findings (3 of 9)

Documentation

Control design

Page 29

3

Finding rating

Rating

Low

Finding and root cause

Risk Management Handbook

The Risk Management Handbook is a detailed guide for staff on how to manage risk. The Handbook does not include any details or when it was created, when it was last reviewed, and when it is next due to be reviewed.

Corporate Risk Register

The Risk register does not state control owners for the controls identified against each risk.

Risk template

There is a new template on the Performance Matters system. The old template had a section to show sign off of the risk by the Corporate Performance Manager. The new design does not require the sign off of the risk by the Corporate Performance Manager. With this new design there is the risk that the Corporate Performance Manager may not have reviewed the risk to ensure there are appropriate controls and actions to mitigate risk. The Councils should conclude if this is still required or there is system sign off that should be built in.

The Safeguarding Children risk the template (old template format) was incomplete. The section ‘Strategic, Corporate & Partnerships Risks’ for the completion by the Corporate Performance Manager has not been completed and signed off.

Cabinet and Executive Committees

The CDC Executive and the SNC Cabinet will receive a quarterly update on risk where it relates to performance matters as part of the performance report.

Although the minutes state a performance update, there is no evidence about any discussion that the Risk Register has been taken to Executive (CDC) or Cabinet (SNC).

Current year findings (3 of 9)

Documentation

Control design

Page 30

3

Finding rating

Rating

Low

Implications

The Risk Management Handbook could be out of date and following reviews missed.

Staff could be following old procedures/using an old version without knowing.

If there are no control owners stated on the Risk Register, staff may not know who is contact when needed.

Risks may not be documented with the correct mitigating controls.

Action plan

Risk Management Handbook - Dates showing when the Handbook was created, last reviewed and next to be reviewed will be added to cover page.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Corporate Risk Register - Control owners will be added on the Corporate Risk Register.

Risk template – The Council will review whether the Corporate Performance Manager should be reviewing/signing off on the risks to check that the appropriate control and actions are in place to mitigate the risks as was required in the old template format.

Cabinet and Executive Committees – Minutes will include evidence of any discussion regarding the Risk Register and also sign post if no actions required over risk/performance update presented.

Current year findings (4 of 9)

Operational Risk Registers

Control design

Page 31

4

Finding rating

Rating

Low

Finding and root cause

New Voter Registration

We tested the controls around the risk 'Unable to download new voter registrations'. The Councils moved to a different server in 2014 which created connectivity issues in leading to a risk of the Councils losing new voter registrations if there is a connectivity issue.

The Corporate Risk Register collates all the main risks from all departments and the Operation Risk Register is a more detailed risk register held per department specifically for the risks they face.

This risk has been added to the Corporate Risk Register since Q3 but there is no Operational Risk Register to capture this risk alongside any wider issues. The Council do have an Elections Risk Register, but this only covers those risks around election time, so does not cover risks throughout the year.

Safeguarding Children

There is no Operational Risk Register for the risk 'Safeguarding Children, the risk owner for this is the Shared Community Services Manager. Individual departments could have a safeguarding risk on their register although the Shared Community Services Manager does not monitor these specifically.

Implications

Without an Operational Risk Register, there is a possibility that not all risks are not being captured.

Action plan

The Council will look to create Operational Risk Registers for these two areas or how this can be routinely integrated into department risk registers in the case of safeguarding.

Responsible person/title:

Louise Aston - Democratic & Elections Team Leader

Nicola Riley - Shared Community Services Manager

Target date:

31/07/2017

Current year findings (5 of 9)

Informal Risk Meetings

Control design

Page 32

5

Finding rating

Rating

Low

Finding and root cause

New Voter Registration

All risk discussions are held on an informal basis, there are no formal team meetings so it is not always evident how specific risks are monitored at operational level. Having regular formal meetings will allow the team to better monitor and assess the risk going forward.

Implications

Given the informal nature it makes it difficult to track how often or how little the risk is being discussed and as a result, key risks may be missed or not monitored appropriately.

Action plan

The team will look to have formal meetings or how risks are integrated into current governance structures and where appropriate have the Corporate Performance team's support.

The frequency of the meetings will be determined by the risk owner.

Responsible person/title:

.....
Louise Aston - Democratic & Elections Team Leader

Louise Tustian, Senior Performance & Improvement Officer

Target date:

.....
31/07/2017

Current year findings (6 of 9)

Documentation of the Risk Register

Operating effectiveness

Page 33

6

Finding rating

Rating

Low

Finding and root cause

Corporate Risk Register

In 2015/16 we raised the finding *‘Controls are documented on the Risk Register, but these are not documented in a manner for any reader to understand. Controls should be documented in a way that can easily be understood.*

The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions’.

This is still an issue.

New Voter Registration

The Risk Template has high level details of the risk which feeds into the Corporate Risk Register.

The Risk Template does not accurately show the compensating controls; there are missing controls regarding phone calls and paper based system.

For this specific risk the compensating controls are in the form of phone calls and the paper based system. The standard way to register to vote is by phone and paper and for accessibility purposes these systems remain in place so if the online system breaks down these can still be used.

Elections 2016 Risk Register

The risks in the election register/template do imply mapping to the corporate objective but it is not explicit. Risks should clearly align to objectives to be in line with best practice

We would expect to see these in the register and risk templates.

Current year findings (6 of 9)

Documentation of the Risk Register

Operating effectiveness

Page 34

6

Finding rating

Rating

Low

Implications

Appropriate controls do not address risks identified.

Staff do not identify the controls to address risk.

Action plan

The Council will look into the Risk Template which is the document that feeds the information into the Corporate Risk Register. Once information is clearly input into the Risk Template, this will clearly differentiate between risk, control, action and mitigating controls and then be clearly differentiated in the Corporate Risk Register.

Responsible person/title:

Louise Aston - Democratic & Elections Team Leader

Nicola Riley - Shared Community Services Manager

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Current year findings (7 of 9)

Cancelled Meetings Operating effectiveness

Page 35

7

Finding rating

Rating

Low

Finding and root cause

Safeguarding Children

There are quarterly internal safeguarding lead meetings to check all risks are captured. 1 out of the 2 meetings we tested did not take place. The Q3 safeguarding leads meeting did not go ahead due to attendees' availability.

Implications

Missed team meetings could lead to issues and risks not being discussed, identified and addressed promptly.

Action plan

The Council will reschedule meetings when a high proportion of staff cannot attend. Alternatively if this is not possible, meetings over a call, for example, will be held with a summary of points documented as evidence and circulated to staff who could not attend.

Responsible person/title:

Nicola Riley - Shared
Community Services
Manager

Target date:

31/07/2017

Current year findings (8 of 9)

Training
Control design

Page 36

8

Finding and root cause

Safeguarding Children - Staff Awareness of New Procedures

A frontline staff survey is performed annually and the Shared Community Services Manager will review the results relating to the safeguarding question. We obtained the results of the survey with 64/150 staff not having any awareness of the new safeguarding procedures and therefore have not incorporated them into their role. It is unclear as to why there was a lack in communication in reaching staff to keep up to date with procedures.

Safeguarding Children – E-learns

All new recruitment panels are required to include one member of staff who has had the safeguarding children training.

The control owner does not have a copy of who has completed the e-learns, so does not monitor. HR has a copy, we requested a copy and were not provided with it.

Safeguarding Children - Emergency procedures

Emergency safeguarding summit/procedures are not formally documented.

Finding rating

Rating

Low

Implications

Staff may not identify risks and controls over safeguarding.

Staff may not have the appropriate required training or there may not be enough staff properly trained which are required for interview panels.

Staff may not know the emergency procedures on safeguarding.

Current year findings (8 of 9)

Training
Control design

Page 37

8

Action plan

Staff Awareness of New Procedures - Staff who do not know about the new safeguarding procedures have been identified through the annual survey and the Council has a target date of October 2017 ensure all staff are updated.

Responsible person/title:

Nicola Riley - Shared
Community Services
Manager

E-learns - The control owner will review who has completed the e-learn, monitor and chase those who have not to complete.

Target date:

31/10/2017

Emergency procedures – The Council will formally document the emergency procedures and make them available on the Intranet to make easily accessible.

Finding rating

Rating

Low

Current year findings (9 of 9)

KPIs
Operating effectiveness

Page 38

9

Finding rating

Rating

Low

Finding

New Voter Registration

There are no KPIs for the new voter registration but there are statutory deadlines. During the EU referendum elections the team struggled due to the surge of demand to register on the system ahead of the deadline for the referendum.

Safeguarding children

There are no KPIs for safeguarding (children), although certain service lines will have KPIs over safeguarding, for example, homeless people.

There is no obvious link between performance and risk.

Implications

Without KPIs, departments have no clear mechanisms to assess whether they are on track, KPIs can help departments identify patterns, or areas of concerns or good practice.

Action plan

The Council will decide on appropriate KPIs and how these are integrated into its risk management processes

Responsible person/title:

Nicola Riley - Shared
 Community Services
 Manager

Target date:

31/07/2017

Prior year open findings (1 of 4)

Documentation of the Risk Register

Operating effectiveness

Page 39

1

Finding rating

Rating

Low

Finding

Risk: All tested

Controls are documented on the Risk Register, but these are not documented in a manner for any reader to easily understand. Controls should be documented in a way that can easily be understood.

The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions.

Original agreed action

Agreed, risk guidance for how to complete a risk register will be circulated to risk owners and the performance team will review risks and challenge the risk owners on the documentation on the risk.

The performance team will carry out an audit of the documentation of the Risk Register with example risk documentation circulated.

PwC provided the Council with risk management training during April 2016; the Council will look to implement this recommended action as a result of the guidance provided by PwC during training. Following on from the training sessions the Council will be including awareness of titles and the content required for each risk, control and action, also including the new risk template.

Status update

Partially Implemented. Templates, Handbook and central guidance has been developed following on from risk sessions and is being reviewed as part of on going review.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

See current year finding 6.

Prior year open findings (2 of 4)

Risk Appetite

Control design

Page 40

2

Finding rating

Rating

Low

Finding

Finding 2014/15

In 2014/15 we reviewed the latest ' Risk and Opportunities Management Strategy'. The document included both of the Councils' Risk Management Statements. We noted that the risk appetite statement was not specific to the Council and did not specifically address the maximum level of risk that the Councils were willing to accept. It did not state for example at what gross risk score and net risk score drove the risks management process and then from a net risk score at what level or number of controls should be assigned, implemented and monitored.

Agreed action 2014/15

The Risk appetite statement would be reviewed so the risk appetite is explicit and reflective of the agreed approach and appetite of the Council.
A review of the Risk & Opportunities Management Strategy was due to be undertaken during the prior year, including the risk appetite statement. The Council said they would seek advice from PwC on how this could be effectively disseminated using the "Managing Risk" training programme thereby ensuring implementation of a robust governance and reporting framework

Finding 2015/16

The Council reviewed the statement but were not sure of how to improve. At the time of the audit it was planned for PwC to provide training of how to reinforce the statement and the Council would then reissue an updated risk management guide. PwC has since provided training during April 2016 so the Council.

Prior year open findings (2 of 4)

Risk Appetite

Control design

Page 41

2

Original agreed action

Agreed. Since the audit, the strategy has been updated and Risk Appetite has been discussed within each of the Risk awareness/training sessions to further understanding.

Status update

Implemented

Training has been provided and the risk appetite statement alongside guidance has been updated in the Risk Management hand book.

Finding rating

Rating

Low

Prior year open findings (3 of 4)

Policy, Procedure Notes and Risk Management training

Control design

Page 42

3

Finding rating

Rating

Low

Finding

We have noted two findings under the area of updates to information provided to staff:

Policy and procedure notes

The policy and procedure notes have not been updated; this was due to the Council waiting for PwC to provide risk management training which was not yet provided at the time of the audit. PwC has since provided training during April 2016 so the Council will now resolve this.

Risk Management training

Finding 2014/15 - From discussion with risk owners there appeared to be a lack of awareness of what risk management training was available to staff and there were no structured refresher courses or re-training scheduled to take place as part of an overall training programme.

The Council did not have regular training for risk management. We understood that it was the employee's responsibility to request training if they felt that it would benefit them. From testing of the selected risks in 2014/15 it was thought that some issues or themes could be avoided if risk management training needs were reviewed. For the shared risk tested 'S7: Customer Service Improvement' at SNC it was found that the risk owner was not aware of basic risk management documents available such as the 'Risk and Opportunities Management Strategy' and the escalation process for risks resulting in a heavy reliance of the performance management team.

Risk management understanding - From the selected risks it was considered that the risk register may not have been fully understood in terms of actions and controls that were assigned to each risk and how these interacted. The completion of the risk register showed that there was a lack of training (or training gap) particularly around the understanding between controls and actions and how the risk register and risk management worked in practice, especially if new risk owners were assigned to reflect staff movements.

Update 2015/16:

At the time of the audit there had been no progress as PwC had not yet ran a training session for the Councils. The performance team were waiting for support from PwC to help them identify improvements to their risk management strategy and policy. PwC has since ran a risk training course in April at both Councils. Following this support, the Council can implement a training program to be completed by all staff responsible for identifying or managing risk.

Prior year open findings (3 of 4)

Policy, Procedure Notes and Risk Management Training

Control design

Page 43

3

Finding rating

Rating

Low

Original agreed action

Agreed. Policy & procedure notes have been reviewed and drafted, these will be discussed as part of the risk working group to ensure they are easily followed/understood etc. Risk management training has started with PwC leading four sessions across both the sites.

Status update

Partially Implemented. Training has been delivered and policy and handbook has been developed since training sessions.

See current year finding 2 and 3 in current year findings.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Prior year open findings (4 of 4)

Six Month Spot Checks

Control design

Page 44

4

Finding rating

Rating

Low

Finding

The Council plan to have more involvement and a focus on operational risks in the future. At the time of audit, the Council were in the process of establishing individual service area risk registers. From the service level risk registers that were completed, we tested 2 service risks, one from CDC and one from SNC to gain an understanding of how the risk is managed and the escalation process for the risk.

The overarching central register for service level risks is in progress and it is hoped that in the coming year the Council will have the time to be able to carry out a six month spot check due to having an extra member of the team providing the resource to be responsible and accountable for these activities.

Progress has been made, plans are in place, but not yet carried out.

Original agreed action

The Councils will continue to review resources and controls so that more focus will be placed on operational risks – controls, effectiveness and escalation processes and appropriate spot checks are implemented.

The Council hope that in the coming year it will be possible to be able to carry out a six month spot check due to having an extra member on the team.

A new column entered into the database will capture risk review/response date by owner. The Council is expecting to be able to create a master sheet of all operational risks.

Operational risks will be included in health checks of services, they have been captured within service business plans and will be discussed as part of business planning sessions.

Performance Matters is now ready for use of capturing and managing risks across both sites. Formatting of risk register to be reviewed and including direction of travel.

Prior year open findings (4 of 4)

Six Month Spot Checks

Control design

Page 45

4

Status update

The Councils have not had the capacity to complete 6 monthly checks of operational risks. With the introduction into Performance Matters this will become much more of business as usual for 2017/18.

Responsible person/title:

Louise Tustain

Once all the Operational Risk Registers have been uploaded on to the system the Council will be able to begin performing these spot checks.

Target date:

31/07/2017

See current year findings 2 and 4.

Finding rating

Rating

Low



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

**Appendix D: Best practice
and insight**

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequence; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:





- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

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

Findings rating	Points	Report classification	Option A	Option B	Points
Critical	40 points per finding		Low risk	Satisfactory	6 points or less
High	10 points per finding		Medium risk	Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		High risk	Needs improvement	16 – 39 points
Low	1 point per finding		Critical risk	Unsatisfactory	40 points and over

Appendix B: Terms of reference



This review is being undertaken as part of the 2016/2017 internal audit plan approved by the Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council.

Background and audit objectives

Risk management is the process of identifying and mitigating risks to the achievement of the Council's strategic objectives.

The Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council have overall responsibility for overseeing risk management and risks are reported to Committee on a regular basis.

Appendix B: Terms of reference



Scope

We will review the design and operating effectiveness of key controls in place over the risk management process during the period 2016/17. Our work will focus on the key controls and processes for identifying, capturing and monitoring risk. The sub-processes and related control objectives included in this review are:

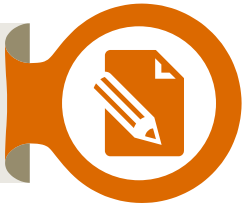
Sub-process	Control objectives
Risk Capture	<ul style="list-style-type: none"> All significant risks to the Council are recognised in a single cohesive system.
Risk Monitoring	<ul style="list-style-type: none"> Service risks are appropriately captured and escalated into corporate risks in line with policy. All risks are regularly monitored and mitigation measures updated as necessary. Corporate and service risk monitoring arrangements are appropriate and undertaken in line with policy.
Risk Reporting	<ul style="list-style-type: none"> Risk escalation process is documented, understood and applied in line with policy. The risk register is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level. Service risks are reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.

Risks to be included in the review

We have selected risks from the corporate risk register, we will understand any changes to operational and service risks and how these are managed into the corporate risk process by conducting a walkthrough of one Cherwell and one South Northamptonshire service risk. Corporate and Service risks have been selected by the Corporate Performance Manager and will be communicated to appropriate risk owners. Key documentation and risk updates to be collated and sent by the Corporate Performance Manager and to be ready for the start of the on site review. Corporate risks selected:

- Shared risk - Safeguarding children
- Shared risk - New voter registration
- ICT loss of systems - we will assess whether this should be a shared risk

Appendix B: Terms of reference



Limitations of scope

The scope of our work will be limited to those areas defined above.

We have not scoped in risk management training in this review as we have separately delivered risk management training for appropriate officers at both Councils, and providing input over ongoing training needs which are being reviewed.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the risk management process through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks within the process;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

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

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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 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.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Cherwell District Council and South Northamptonshire Council and solely for the purpose and on the terms agreed with Cherwell District Council and South Northamptonshire Council in our agreement dated 26th April 2012. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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

In the event that, pursuant to a request which Cherwell District Council and South Northamptonshire Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Cherwell District Council and South Northamptonshire Council are required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Cherwell District Council and South Northamptonshire Council agree to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Cherwell District Council and South Northamptonshire Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Internal Audit Report 2016/2017

Finance review (Debtors, Creditors, Payroll, Collection Fund)– 2016/17

*Cherwell District
Council*

Final

June 2017

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Executive summary

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Background and scope

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Current year findings

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Appendices

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

Distribution list

For action:

Denise Taylor, Group Accountant (Budgets & Accounts)

Leanne Lock, Group Accountant (Systems & Exchequer)

John Payne, Finance Officer

Belinda Green, Joint Revenues and Benefits Manager

Geni Hotchkiss, Business Support Unit Manager

For information:

Sanjay Sharma, Interim Head of Finance and Deputy Section 151 Officer

Paul Sutton, Chief Finance Officer and Section 151 Officer

Ian Davis, Interim Chief Executive

Executive summary (1 of 2) Summary of findings by areas of scope:



Report rating

Other Reconciliations and Access – Low risk (5 points)



Area of scope - Creditors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	1	1	0
Operating Effectiveness	0	0	0	1	0

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Report rating Creditors - Low risk (6 points)



Area of scope - Creditors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	2	0	0
Operating Effectiveness	0	0	0	0	0

Report rating Debtors - Medium risk (12 points)



Area of scope - Debtors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	1	0	0
Operating Effectiveness	0	0	3	0	0

Executive summary (2 of 2)

Summary of findings by areas of scope:



Report rating Payroll - Low risk (6 points)



Area of scope - Payroll	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	2	0	0
Operating Effectiveness	0	0	0	0	0

Report rating Collection Fund – Low risk (5 points)



Area of scope – Collection Fund	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	0	2	0
Operating Effectiveness	0	0	1	0	0

We originally discussed and planned changing to a continuous audit approach over the key financial cycles through discussions held with management during September and the plan was subsequently updated to reflect this. The purpose of the planned continuous audit programme was to test key controls on an on-going basis to assess whether controls are operating effectively and to highlight areas and/or report transactions that appear to circumvent controls throughout the year to management.

Following subsequent discussions we were advised to carry out the reviews during quarter 4 given key finance staff availability, so were not able to perform a continuous audit as originally reflected in the updated plan. We have therefore updated our understanding and tested the key controls in creditors, debtors, payroll and collection fund, we have not suggested any agreed actions as the purpose going forward was to highlight performance for management to monitor and change where considered necessary.

The observations have been raised in current year findings section

Current year findings – Reconciliations (1 of 14)

Bank to General Ledger Reconciliations

Control design

Page 59

1

Finding and root cause

We tested whether the general ledger and bank are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Our testing showed:

- The bank to general ledger reconciliations were not produced from April 2016 to July 2016 due to issues with the new Civica system. We also found that 1/13 reconciliations post July 2016 was not performed.
- There was no evidence of who prepared and who authorised the reconciliations so we could not confirm segregation of duties.
- The current control design does not involve agreeing the two reports. The control is currently that each day the bank statement is uploaded onto Civica, where predetermined rules will automatically match off items and then manually clear the unmatched items. There is nothing to evidence when the unmatched items are cleared as the interface file does not show these, only those matched are shown. There is no process/control to highlight and then clear any longstanding unmatched transactions if appropriate.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Reconciliations (2 of 14)

Income and Expenditure Reconciliations

Balance Sheet Reconciliations

Control design

2

Finding and root cause

We tested whether the Income and Expenditure reconciliations and Balance Sheet reconciliations are performed, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

The monthly Income and Expenditure reconciliation and Balance sheet reconciliation are all performed electronically, but with no date shown. Reconciliations were performed and reviewed, but we are unable to determine if these have been performed and reviewed in a timely manner.

Responsible person/title: Denise Taylor, Group Accountant (Budgets & Accounts)

Finding rating

Rating

Low

Current year findings - Access to systems (3 of 14)

Starters and Leavers

Operating Effectiveness

Page 61

3

Finding rating

Rating

Low

Finding and root cause

We were provided with listings of access to all systems, we were not able to be provided with a list of financial systems access only as the Council cannot generate such a list from the system. We merged the testing for CDC and SNC together as listings for both Councils were provided together and have taken a sample from all officers having IT access, rather than just financial system access.

Starters

We tested whether starter forms are created/approved by line manager before IT give access.

- For 2/20 starters there was no authorisation by the line manager for the new starter to have access to purchasing system.

Leavers

We tested whether leavers are removed from the system in a timely basis when they leave the Council.

The Council's procedure is that employees' access to the network is revoked by IT one month after they have left. The Council state that employees could not access the financial systems after that time as their general log in to the Council system would have been stopped.

Best practice suggests employee access should be removed from all systems in a timely manner as employees could access the financial systems via general access from another employee's computer or existing employees using leavers account credentials in the period until all access is blocked or completely removed.

For 5/20 cases tested, leavers did not have their network access revoked in a timely basis:

- In 1 case, IT system access was removed within one month of Officer leaving as stated in the Council's procedures and the financial systems access removed 7 months after user left. Individual had CDC access, but not SNC access.
- In 1 case, IT system and financial systems access was removed 6 months after user left. Officer had SNC access, but not CDC access.
- In 3 cases, IT system access was removed before Officer's effective leave date but financial systems access removed 1, 5 and 6 months respectively after user left. In 2 cases the Officer had CDC access, but not SNC access, in the other case Officer had access to both Councils.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Current year findings - Creditors (4 of 14)

Aged Creditors to General Ledger Reconciliations

Control Design

Page 62

4

Finding and root cause

Current procedures state that there should be a monthly aged creditors to general ledger reconciliation.

We tested whether aged creditors to the general ledger are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Missing reconciliations

Reconciliations have not been performed until September of 2016, this is due to issues in the transition from Agresso to Civica.

No evidence for date of authorisation

2 out of 2 months reconciliations tested did not show the date of authorisation, so we cannot determine if this was done in a timely basis.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings - Creditors (5 of 14)

Three way match

Control design

Page 63

5

Finding and root cause

Segregation of duties

The key creditors controls are:

- A purchase order is appropriately authorised before a commitment to pay for goods/services.
- Invoices are matched to purchase orders and goods receipts and authorised by an appropriate officer prior to payment of invoice in a timely basis.
- Payments are reviewed and authorised prior to release.

2 out of the 25 samples tested were orders raised whilst the Council used Agresso. Evidence from Agresso cannot be obtained for the audit as all documentation relating to requisition raiser and approver were not kept post transfer to the new system Civica. For these, we are unable to test segregation of duties.

Automatic authorisation on Civica

As part of the 3 way match testing performed we tested whether a purchase order is appropriately authorised before a commitment to pay for goods/services.

1 out of 25 samples tested, Civica auto-approved the invoice; there was no segregation of duties. Officers had not seen this message on Civica before and were not aware that the system allowed this.

Responsible person/title: Leanne Lock Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Debtors (6 of 14)

New debtors account and invoice raising

Operating Effectiveness

Page 64

6

Finding rating

Rating

Medium

Finding and root cause

We tested whether:

- New debtor accounts are opened with the appropriate authorisation.
- Segregation of duties exists between requester/inputter of the invoice and the Senior Recovery Officer

Listings differentiating between new debtors added in current year and those that were pre-existing are not able to be run from the system. We selected a sample of 25 of all of the debtors on the system (not just new debtors) who have received at least one invoice this year. We tested whether the debtor accounts had been opened with the appropriate authorisation, but the accounts may have been opened prior to April 2016.

Debtor invoice segregation of duties between requester / inputter and Senior Recovery Officer

- In 5 out of 25 cases, no documentation was provided on who requested the debtor invoice but we were able to confirm information of who input it into the system and the senior recovery officer check to appropriate documentation.
- In 11 out of 25 cases, signatures on paperwork were illegible. Names have not been printed in addition to signatures so it is not possible to identify who carried out the task, but we were able to confirm information of who input it into the system and the senior recovery officer check.

New debtors

- In 20 out of 25 cases, the information of who set up the debtor was unavailable on the system.
- In 13 out of 25 cases, the information of who authorised the new debtor was unavailable on the system.

Responsible person/title: John Payne, Finance Officer

Current year findings – Debtors (7 of 14)

Aged Debt to General Ledger Reconciliations

Operating Effectiveness

Page 65

7

Finding and root cause

Current procedures state the aged debt to general ledger reconciliations should be performed weekly.

No reconciliations have been performed in the current year.

Responsible person/title: Leanne Lock Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Debtors (8 of 14)

Aged debt

Control design

Page 66

8

Finding and root cause

We tested whether aged debt is monitored, reported and appropriately followed up.

During the 14/15 external audit, it was identified by the Council’s external auditors that the Council had a debtor of £1.5 million in its financial statements due to an overpayment of NNDR in 2011/12. The error arose due to a journal posted through the general ledger rather than through sales ledger and then not followed up.

In 15/16 we raised a subsequent finding that aged debt monitoring is reviewed using sales ledger reports (Accelerator system). Aged debt monitoring does not pick up any income that has been journaled into the general ledger as income. This is still an issue in 16/17. Aged debt monitoring is being picked up from sales ledger reports only, not from the general ledger.

However we note that Debtors (long and short term) are being monitored quarterly and reported to Chief Finance Officer and Lead Member for Financial Management, that includes NNDR accounts to which the specific related, following previous report into matter and additional processes put in place.

The Council's current control to monitor aged debt monthly did not take place for 1 out of 2 of the samples; this was due to a staff handover issue.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer), John Payne, Finance Officer

Finding rating

Rating

Medium

Current year findings – Debtors (9 of 14)

Reconciliation of Capita Pay.net to Civica Debtors module

Operating effectiveness

Page 67

9

Finding and root cause

Current procedures state that there should be a daily reconciliation of Capita Pay.net to Civica Debtors module.

We tested whether the two system are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

On 1 out of the 20 reconciliations reviewed, timely authorisation was not completed (within 2 weeks). The authorisation was done 100 days after the reconciliation was performed.

Responsible person/title: John Payne, Finance Officer

Finding rating

Rating

Medium

Current year findings – Payroll (10 of 14)

Payroll reconciliations

Control Design

Page 68

10

Finding and root cause

Current procedures state the following reconciliations should be performed:

- Monthly GL to payroll reconciliation
- Monthly reconciliation of payroll bank account to wages and salaries control account

Due to the transition to Civica, there has been a delay in producing reconciliations. Currently none of these reconciliations have been performed.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Payroll (11 of 14)

Payroll Changes to Standing Data

Control Design

Page 69

11

Finding and root cause

Amendments

We tested whether amendments to payroll data are only made following appropriate authorisation.

There is an informal monthly review of all personnel amendments made to standing data (for example starters, leavers, bank details and pay grade) but from hardcopy papers of changes, checks are not formally documented. The Council is not aware of a report that can be run of all amendments, so hardcopies are signed for input and verified by two different people (HR and Payroll), but if there is paperwork missing, then the check may be missed. We therefore could not amendment review control process as a listing cannot be provided by the Council and no formal review controls

We found no exceptions for the individual starters and leavers tested and confirmed, starters and leavers are processed in HR and then passed to Payroll to process. All were authorised prior to month end and included or removed from the payroll in timely fashion and appropriate pay-run.

It should be considered if review controls should be formalised to supplement the transactional controls.

Updates to global tax and NI changes

We tested whether global changes to Tax and NI data are updated on the system annually and input and authorised by separate individuals on a timely basis and with segregation of duties between inputter and authoriser.

Segregation of duties cannot be evidenced by the Council as the input evidence is under 'Northgate' which is a system the Council use. It is not possible to find out who input the data into Northgate, but we have seen evidence of who has authorised.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Collection Fund (12 of 14)

Collection Fund Reconciliations

Operating Effectiveness

Page 70

12

Finding and root cause

Current procedures state Northgate/iWorld to general ledger reconciliations should be performed:

Reconciliations between Northgate/iWorld and the general ledger have not been performed during 16/17.

Systems are reconciled at year end to support financial accounts and NNDR 3 return, which was confirmed through our additional NNDR 3 review for the 2015/16 return.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Collection Fund (13 of 14)

Collection Fund System reconciliations

Control design

Page 71

13

Finding and root cause

Revenues system and cash collection reconciliations - Council Tax

We tested whether the revenues and cash systems are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Hard copies not signed by the authoriser although the preparer has. We are unable to test evidence of segregation of duties.

Housing Benefits to council tax reconciliation

We tested whether the housing benefits to council tax systems are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

There is no reference to the preparer or authoriser and there are no dates have been noted so we cannot deem if timely, nor is segregation of duties has been maintained. There is evidence that reconciliations are completed and where applicable items are understood and followed up or agreed to appropriate system reports or schedules maintained.

Responsible person/title: Belinda Green, Joint Revenues and Benefits Manager

Finding rating

Rating

Low

Current year findings – Collection Fund (14 of 14)

Collection Fund Valuation Office Reconciliations

Control design

Page 72

14

Finding and root cause

Weekly Valuation Office to Northgate/iWorld (number of properties) reconciliation - Council Tax:

We tested whether the Valuation Office to Northgate/iWorld weekly number of properties and total rateable values are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

For 5 out of 5 weekly reconciliations tested, there was no evidence of who or when the reconciliations were performed and who authorised. We therefore cannot confirm if there was segregation of duties and if these were done on a timely basis.

Weekly Valuation Office to Northgate/iWorld (total rateable value) - NNDR:

An Officer runs reports weekly for the rateable values as per the Valuation Officer and as per Northgate/iWorld, but no formal reconciliation is kept. The Officer checks the values match, but there is no evidence of this, no record is kept to show a review is performed.

Responsible person/title: Geni Hotchkiss, Business Support Unit Manager

Finding rating

Rating

Low



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Page 73

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.





Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Report classifications

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

Findings rating	Points	Report classification	Option A	Option B	Points
Critical	40 points per finding		Low risk	Satisfactory	6 points or less
High	10 points per finding		Medium risk	Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		High risk	Needs improvement	16 – 39 points
Low	1 point per finding		Critical risk	Unsatisfactory	40 points and over

Terms of reference

Finance Reviews – Creditors, Debtors, Payroll, Council Tax and NNDR

To: George Hill, Corporate Finance Manager, Leanne Locke, Technical and Project Accountant (Creditors and Payroll), Belinda Green, Joint Revenues and Benefits Manager (Debtors), Vicki Taplin, Team Leader Joint Revenues and Recovery (Collection Fund), Ryszard Filipiak, Service Assurance Team Leader (Collection Fund)

From: Edward Cooke, Audit Manager

Audit scope and approach (1 of 3)



Scope / Audit Approach

We will review the design and operating effectiveness of key controls in place for creditors, debtors, payroll, Council Tax and NNDR during the period 2016/17. The sub-processes and related key controls included in this review are:

	Sub-process	Key controls
All	Reconciliations	1. Financial accounts are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.
	Access to Agresso (general ledger and sub systems)	2. Starter forms are created/approved by line manager before IT give access. 3. Leavers are removed from the system in a timely basis when they leave the Council.
	Three way match – purchase order, invoice and goods receipt	4. A purchase order is appropriately authorised before a commitment to pay for goods/services. 5. Invoices are matched to purchase orders and goods receipts and authorised by an appropriate officer prior to payment of invoice in a timely basis. 6. Payments are reviewed and authorised prior to release.
Creditors	Standing data	7. Changes to bank details are appropriately reviewed and authorised.
	New debtor accounts and invoice raising	8. New debtor accounts are opened with the appropriate authorisation. 9. Segregation of duties exists between requester/inputter of the invoice and the Senior Recovery Officer
Debtors	Aged debt	10. Aged debt is monitored, reported and appropriately followed up.

Audit scope and approach (2 of 3)



Sub-process	Key controls
<p>Payroll</p> <p>Changes to standing data</p>	<p>11. Segregation of duties exists between setting up new starters on the system, entering their payroll details in line with contract, and final review in a timely manner.</p> <p>12. Leavers are removed on a timely basis from the payroll with correct cut off for pay/annual leaver entitlements as per leavers form.</p> <p>13. Amendments to payroll data are only made following appropriate authorisation.</p> <p>14. Global changes to Tax and NI data are updated on the system annually and inputter and authorised by separate individuals on a timely basis and with segregation of duties between inputter and authoriser.</p>
<p>Reports (monthly exceptions and BACs)</p>	<p>15. Monthly exception reports are generated on a timely basis which are appropriately authorised and actioned prior to monthly payment run, following authorisation by the Head of Finance.</p> <p>16. Segregation of duties exists for the monthly BACS report which is authorised prior to processing by the Head of Finance.</p>

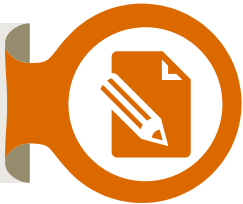
Audit scope and approach (3 of 3)



Sub-process	Key controls
Number of properties (Council Tax) RV Valuation Updates (NNDR)	17. The Valuation Office to Northgate/iWorld weekly number of properties/total rateable value are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.
Refunds and reliefs	18. Refund monitoring is performed and evidence of investigation for any differences is shown with an authorised person evidencing checks. 19. Evidence is kept to support the reasons exemptions, discounts and reliefs are awarded.
Input of base data	20. An independent review of the accuracy of the Band D input (Council Tax) and the 2016-17 multipliers (NNDR) is evidenced, the rate per Northgate/i-World to the DCLG match. Authorisation is evidenced before new figures go live.

Council Tax and NNDR

Audit scope and approach



Limitations of scope

The scope of our work will be limited to the areas identified in this Terms of Reference. Our work will focus solely on reviewing the controls outlined above. We will not produce a report with actions but a summary of our findings only around effectiveness of key controls. These will be provided at the point of work is completed and all evidence as been provided and findings agreed. Management can then review and action appropriately to address.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the creditors, debtors and payroll through discussions with key personnel, review of systems documentation and walkthrough tests.
- Identify the key risks of creditors, debtors, payroll, Council Tax and NNDR.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Internal audit team and key contacts (1 of 2)



Internal audit team

Name	Title
Richard Bacon	Head of Internal Audit
Chris Dickens	Internal Audit Senior Manager
Edward Cooke	Internal Audit Manager
Lucy Fenton	Internal Audit Team Leader
Drew Barker	Auditor

Key contacts - Cherwell District Council

Name	Title	Role	Contact details
George Hill	Corporate Finance Manager	Audit Sponsor	Audit sponsor: Hold initial scoping meetings Review and approve Terms of Reference Review draft and final findings
Creditors and Payroll - Leanne Lock	Group Accountant (Systems and Exchequer)	Audit Contacts	Audit contacts: Hold scoping meetings Provide assistance and information during testing stages Review draft and final findings
Debtors – Belinda Green	Joint Revenues and Benefits Manager		
Collection Fund - Vicki Taplin	Team Leader Joint Revenues and Recovery		
Collection Fund – Ryszard Filipiak	Service Assurance team Leader		

Internal audit team and key contacts (2 of 2)



Name	Title	Role	Contact details
Collection Fund – Belinda Green	Joint Revenues and Benefits Manager	Audit Contacts	Audit contacts: Hold scoping meetings Provide assistance and information during testing stages Review draft and final findings
Collection Fund - Geni Hotchkiss	Business Support Unit Manager		
Paul Sutton	Chief Finance Officer and Section 151 Officer	Other roles and responsibilities	Other roles and responsibilities: Receive final findings
Sue Smith	Chief Executive		

Information request (1 of 2)



Information request

All

- Access to all finance reconciliations performed with evidence of review and authorisation, date performed and authorised and evidence of any reconciling items followed up;

Creditors

- A listing of all purchases (including invoice ref, purchase order ref and goods receipt ref);
- A listing of all new suppliers created;
- A listing of bank changes to suppliers details created;

Debtors

- A listing of all invoices raised;
- A listing of all new debtors accounts created;
- A copy of the latest aged debt position and aged debt report;
- A listing of all users with access to the G/L system;
- A listing of all starters and leavers with G/L system access;
- A listing of all users with access to the system by sub system (e.g sales ledger, purchase leger and payroll);

Payroll

- Evidence of the global changes to Tax and NI data have been updated on the system – annual control which will be tested when testing Q1/Q2.
- A listing of all starters and leavers;
- A listing of other amendments that impact pay (for example: bank details, full time and part time changes, working hours, temporary additional allowances, staff position changes);
- Access to all monthly BACS reports with evidence of authorisation
- Access to all exception reports run with evidence of authorisation

Note: List is not an exhaustive list and additional information may be requested to support the review during on site work.

Information request (2 of 2)



Information request

Collection Fund

Access to all reconciliations performed (including):

- Revenues system and cash collection system
- Northgate/iWorld to Agresso (GL)

Access to Valuation Office to Northgate/iWorld reconciliations;

Evidence of the billing checks performed;

Reports showing all refunds, reliefs and overpayments in year;

Listings of all accounts eligible for discounts, exemptions and reliefs;

Evidence of the independent review of the Band D input (Council Tax) and the 2015-16 multipliers (NNDR) has been performed;

DCLG notification of bandings and multipliers.

Note: List is not an exhaustive list and additional information may be requested to support the review during on site work.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken this review subject to the limitations outlined below:

Internal control

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

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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 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.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with Cherwell District Council in our agreement dated 26th April 2012. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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

In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Cherwell District Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Cherwell District Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

Cherwell District Council

**Internal Audit
Progress Report 2017/18**

June 2017



1. Introduction

The purpose of the report is to update the committee on progress made in delivering the 2017/18 audit plan to mid June 2017. The agreed joint internal audit plan (with South Northamptonshire Council) for the 2017/18 year totals 272 days. Appendix A provides details of the audit assignments included in the 2017/18 year, and an update on progress where assignments have commenced. We have delivered 4 days of work against the plan to mid June 2017, which at this early stage is broadly in line with our expected profile of work.

2. Summary of reviews completed

We have not yet completed any planned audits (no audits were planned for completion by this point). As set out in Appendix A we have various reviews in progress.

3. Recommendation tracking

We have agreed to provide a system for tracking the implementation of actions agreed by management to address internal audit recommendations. This will enable reporting to this Committee in future on the level of implementation of such actions once we have finalised planned audits and such actions become due for implementation.

Appendix A - 2017/18 Internal audit plan

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Corporate Governance & Systems	Information Governance/IT/Information Systems Risk Assessment	✓	✓			Scoping the audit	
	Business Continuity/Disaster Recovery (included in IT Transformation Programme)		✓	✓		Scoping the audit	
	Programme/Project/Change Management (incl Transformation Programme)		✓	✓		Scoping the audit	
	Human Resources/Workforce Planning etc				✓		
	Partnership working/shared services				✓		
	Project Assurance – provision to provide assurance and advice in relation to key projects (to be agreed on a risk assessed basis)		✓	✓	✓		
Financial Assurance	Medium Term Financial Planning/Financial Resilience/Savings &		✓	✓		Scoping the audit	

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
	Income Maximisation						
	Budget management and reporting			✓			
	Capital Programme Management		✓	✓		Scoping the audit	
	Finance Systems* - High Level Controls		✓			Scoping the audit	
	Payroll	✓	✓			In progress	
	New ledger system (Civica) – financial ledger, debtors, creditors		✓			Scoping the audit	
	Income & Payment Systems** - High Level Controls		✓			Scoping the audit	
Operational Assurance	Commercial Property management	✓	✓			In progress	

Cherwell District Council

Accounts, Audit and Risk Committee

28 June 2017

Corporate Fraud Team Update

Report of Chief Finance Officer

This report is public.

Appendices A and B are exempt from publication by virtue of paragraphs 2 and 3 of Schedule 12A to the Local Government Act 1972.

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an update on the joint Corporate Fraud team including an end of year performance summary for 2016-2017 and to present members with the Corporate Fraud Business Plan for 2017-2018.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report
- 1.2 To request that members consider and endorse the Corporate Fraud Business Plan for 2017-2018.

2.0 Introduction

- 2.1 This report is to update members on the joint Corporate Fraud Investigations team. The report includes a summary of the performance for 2016-2017. Members are also asked to consider and endorse the Corporate Fraud Business Plan for 2016-2017.

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 1st 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 The joint Corporate Fraud team has now been established over two years with the aim of protecting both Councils from fraud and error and to protect public funds.

Corporate Fraud Team

3.2 The Corporate Fraud Team (CFT) comprises of two posts, a Senior Corporate Fraud Investigator (SCFI) and a Corporate Fraud Investigator (CFI). An additional temporary resource is still in place funded by the DCLG grant.

3.3 Members of this Committee may recall that the SCFI returned from Maternity leave in September 2016. The officer elected to return to her substantive role of Corporate Fraud Investigator. In the absence of a Senior Corporate Fraud Investigator and as an interim measure the two Corporate Fraud Investigators will report directly to the Joint Revenues and Benefits Manager Over the coming months a review of the Corporate Fraud Team will be undertaken and members will receive an update on this at a future meeting.

Performance for 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 12 months. The main achievements from the year 2016-2017 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 have received a total of 5664 matches. The matches will be looked at and either closed or further information will be requested. A further 2715 NFI matches have been received for South Northants Council.
- The Joint Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy and the Joint Fraud Response Plan have been reviewed and approved by members of this Committee.
- The team received 205 referrals for Cherwell 64 of which were not accepted for investigation. The following investigations have taken place with the following results:

Area	Number investigations CDC	Of	Results
Council Tax Benefit	1		£349.40
Council Tax Liability	8		£15,594
Council Tax Reduction	12		£11,422
Council Tax – Single Person Discount	40		£36,633
Council Tax – Disability Discount	1		£986.55
Housing Benefit	5		£24,757
Penalties for Council Tax	12		£840.00
Total savings			£90,583

- Working with colleagues from internal audit the team have offered Fraud awareness sessions to staff at both Cherwell and South Northants. The sessions were well received and the team are looking to offer a similar presentation to external partners during 2017-2018.
- The team would also like to offer Fraud awareness sessions to elected members at both Councils. A draft presentation is shown at Appendix A of this report. Any feedback is welcomed from members of this Committee. Please note that because of some of the contents of the draft presentation it is an exempt appendix and any discussions about it should take place after the exclusion of the public.
- Hannah Simons (then Senior Corporate Fraud Investigator) offered a number of training sessions to colleagues in the Elections team. The training covered the types of fraud faced by the elections team, handwriting fraud, signature fraud and suggestions for prevention. Again the sessions were well received. A copy of the presentation is attached at Appendix B of this report. Again this is an exempt appendix in the light of some of the contents.
- The team continue to develop working with key 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.
- Insurance fraud continues to rise nationally. Any claims made against either Authority are processed by colleagues in Corporate Finance. Some claims are immediately dismissed because they have been made against the wrong responsible party, for example, the local authority as opposed to Highways. In 2016-2017 there were 30 claims against Cherwell Council including 16 public liability claims and 14 motor claims. The insurers Zurich have their own investigations team who robustly scrutinise any claims.
- 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. In 2016-2017 we received 171 DWP SFIS enquiries for Cherwell and a further 212 for South Northants.

- Appendix C of this report gives some examples case studies from investigations that have been carried out during 2016-2016.

Corporate Fraud Business Plan 2017-2018.

3.5 The Corporate Fraud Business Plan has been reviewed for 2017-2018. A copy is shown at Appendix D of this report.

3.6 Members of this committee are asked to consider and to endorse the updated plan.

4.0 Conclusion and Reasons for Recommendations

4.1 Members are asked to note the contents of this report and to endorse the new plan

5.0 Consultation.

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

6.0 Alternative Options and Reasons for Rejection

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

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

7.0 Implications

Financial and Resource Implications

There are no financial implications directly arising from this report

Comments checked by:

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 Tony Ilot, Portfolio Holder for Financial Management

Document Information

Appendix No	Title
A (exempt)	Member presentation - draft
B (exempt)	Elections training presentation
C	Case Studies
D	Business Plan for 2017-2018
Background Papers	
None	
Report Author	Belinda Green (Joint Revenues and Benefits Manager)
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Appendix C

Corporate Fraud Investigation Case Studies

Case Study One – Housing Benefit and Council Tax Reduction

Department for Work and Pensions (DWP) Compliance Team notified the Corporate Fraud team that that Housing Benefit and Council Tax Reduction claimant had undeclared capital in excess of £20,000.00. DWP Compliance closed their case as Low Level Fraud.

Corporate Fraud investigated the CTR aspect which resulted in the following. The funds were recovered but no further action was taken as the customer was 92 years of age and in poor health:

No.	Reduction / Benefit	Dates	Amount
1	Excess CTR	01/04/2013 to 07/10/2013	£448.53
2	HB Overpayment	17/03/2008 to 07/10/2013	£21,615.78
3	CTB Overpayment	17/03/2008 to 31/03/2013	£4,238.76
Total recovery			£26,303.07

Case Study Two – Data Matching

We received a Housing Benefit Matching Service referral for a claim which disclosed previously undeclared capital. DWP referred to their Compliance Team who interviewed the customer who made statement about capital and provided bank statements showing capital in excess of £16,000. DWP Compliance closed their case as no further action.

Corporate Fraud investigated the Council Tax Reduction aspect and the result was as follows:

No.	Reduction / Benefit	Dates	Amount
1	Excess CTR	01/04/2013 to 21/02/2016	£3,615.75
2	HB OP	17/12/2012 to 25/10/2015	£15,217.62
3	CTB OP	17/12/2012 to 31/03/2013	£349.40
Total recovery			£19,182.77

Case Study 3 – An Administration Penalty

Customer failed to declare an increase in self- employed income. The partner also held a position of trust and was involved in the claim. A lengthy investigation involved interviewing the customer and the partner under caution. The customer admitted that the increases should have been declared to the council and understood it would have affected her entitlement to the reduction.

It was decided to offer the customer an administrative penalty as an alternative to prosecution. The customer is no longer on benefits and now has a new job. A prosecution may have impacted negatively on their new role and therefore it was decided that a penalty was the most appropriate course of action.

The penalty of £1297.36 was offered and accepted, the customer had also repaid the excess reduction she had received which was £2594.72. In total the work of the Corporate Fraud Team meant the customer repaid £3892.08 to the council.

Case Study 4 – Housing Fraud

The team received a referral that a tenant was illegally subletting their property to their son. The tenant had asked if they could assign their property to their son as they were thinking of moving in with their daughter. They were told they couldn't and if they moved in with their daughter they would need to terminate their tenancy. The daughter was also a Housing Association tenant and had spoken to her Housing Association about her parents moving in with her. Corporate Fraud visited the properties on numerous occasions and eventually found the tenant in and after some discussion notice to quit the property was given there and then. The property was recovered for re-allocation by the Housing Association.

Case Study 5 – Elections Fraud

A referral was received regarding potential electoral register fraud, with two people trying to register at an address where they did not reside. The resident at the address had post from CDC in 2 other people's names. The 2 people were trying to be placed on the electoral register at this property.

Corporate Fraud team visited the property and took statements from the residents who confirmed that they did not know either party and they had not given anyone permission to register at their address.

Following this the application was rejected and they were prevented from joining the register



South Northamptonshire Council
South Northamptonshire Council



DISTRICT COUNCIL
NORTH OXFORDSHIRE

Corporate Anti-Fraud Business Plan

2017-2018

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 2017-2018
8. Service Objectives

1. Introduction

We are now in the third full year of the Corporate Fraud team being a shared service across Cherwell District Council (CDC) and South Northants Council (SNC).

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 CW Audit 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 and will be reviewed in 2017.
- 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 2017-2018.

2. Aims and objectives

The Corporate Fraud team was created in April 2015 and forms part of the Joint Revenues and Benefits team in the Finance Division. It is a joint team and consists of two posts; a Senior Corporate Fraud Investigations Officer and a Corporate Fraud Investigations Officer. Corporate Fraud resources will be stretched again in 2017-2018 although the Councils have been utilising temporary members of staff where necessary.

The team is organised to enable data matching and data analysis to take place to try to prevent fraud but also to be able to detect fraud at the earliest stage possible. This includes undertaking data matching to offer a level of assurance as well as an investigative pool of work.

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 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

In 2015 housing benefit investigations transferred to DWP SFIS, However 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 colleagues in the Corporate Finance team and our insurers, Zurich, who have their own investigations team.

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

Understand: the Councils needs to assess and understand any risks from fraud. The Councils are committed to support and resource to tackling fraud and maintaining a robust anti-fraud response.

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. It will be underpinned by making better use of information and technology available.

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 2017-2018

- 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 Fraud
- Business Rates fraud and evasion (working with colleagues in the Business Support Unit)
- Internal fraud for example: misuse of time and/or resources, conflicts of interest, pre-employment fraud.
- Grants for example: Disabled Facilities 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 Joint Revenues and Benefits 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 2017-2018

Prevent

Objective	Actions required:	Desired Outcomes	Update by quarter
<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>.</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>To present fraud awareness sessions to elected members Continue to disseminate fraud warnings to managers and staff</p> <p>E learning to be investigated</p> <p>Regular 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><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 further 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>	

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.	

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 Consider a further fraud awareness day	An internal policy which is fit for purpose and reflects the latest best practice.	
<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.	Fraud, bribery and corruption are identified and investigated	

	<p>Ensure that data held within the council can be shared to relevant departments</p> <p>Develop links with external agencies to enhance opportunities for information sharing.</p>		
<p><u>Objective seven</u></p> <p>Maintain an appropriate mix of experienced and skilled staff</p>	<p>Continual learning and professional development of “counter fraud” and investigatory officers.</p>	<p>Councils will have access to suitably trained staff to undertake investigations</p>	
<p><u>Objective eight</u></p> <p>To implement data sharing between HR and the Corporate Fraud Team to ensure new starters are vetted properly</p>	<p>Data sharing gateways to be put in place</p>	<p>Corporate Fraud team will work with colleagues in HR to check new staff to minimise risk of internal fraud.</p>	

<u>Objective Nine</u> To implement Trust ID software across all departments that require proof of ID from customers	Trust ID software needs to be used to verify documents provided as proof of ID	To reduce the incidence of identity fraud, affecting both councils,	
<u>Objective Ten</u> <u>To offer signature and document authentication training for staff – for example elections.</u>	Presentation to relevant staff	To reduce the incidence of identity fraud, affecting both councils,	
<u>Objective ten</u> <u>To investigate any good quality referrals made to the team.</u>	To have a procedure in place for referrals to be made and risk analysis to take place.	To allow resources to be directed	

Promote anti-fraud message

Objective	Actions required:	Desired outcomes	Update
<u>Objective ten</u> Publicise the Council's counter fraud stance	Review policies and publicise on website Website updates Communication via In Brief, SNC Review and CDC Link	Individuals are deterred from committing fraud against the Council	

<u>Objective Eleven</u> Sanctions/prosecutions policy to be in place	Review of current policy	Individuals are deterred from committing fraud against the Council	
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Appendix 1 – Key roles and responsibilities

Audit and Risk Function	Corporate Anti-Fraud Team responsibilities
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

Cherwell District Council

Accounts, Audit and Risk Committee

28 June 2017

End of year Risk Review 2016-17
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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 final quarter of 2016/17.

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 the risks continuing into 2017/18.

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 final 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.
- 2.4 **The Risk and Opportunities Management Strategy** (which is a joint document for both Cherwell DC and South Northamptonshire DC) was 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 was reviewed and agreed at the meeting on the 21st September.

- 2.5 This report focusses on risks specific to Cherwell DC and those that are shared and jointly managed with South Northamptonshire Council.
- 2.6 The following key applies to the remainder of the report and associated appendices.










Colour	Symbol	Meaning
Red		Requires active management High impact / High likelihood Risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Amber		Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile. Escalate upwards.
Green		Good Housekeeping 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
		Risk has not changed since last review
		Direction of Travel is not applicable as risk is new

3 Report Details

3.1 Summary

- 3.1.1 As at the end of 2016/17, there is one risks rated red (active management), 26 risks are rated amber (contingency plans) and five are rated green (good housekeeping).
- 3.1.2 One risk, P01 Police and Crime Commissioner (PCC TVP), has been downgraded from red (active management) to amber (contingency plan). Impact has reduced from 3 to 2 and Probability has reduced from 3 to 2. This risk had been escalated during quarter 3.

3.1.3 The table below shows the overall breakdown of risks by ratings for Cherwell District Council; split by CDC specific and shared as well as the three risk categories.

Council	Strategic Risks			Corporate Risks			Partnership Risks		
									
CDC	0	8	0	1	1	0	0	1	2
Shared	0	7	0	0	9	2	0	0	1
TOTAL	0	15	0	1	10	2	0	1	3

3.2 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 ('Red' risks that require active management), or have had a change in risk scores since the previous quarter.

3.3 **Change in risk scores:** One risk has been downgraded from amber to green, 29 risks have remained as amber, one risks has remained as Red and one risks has escalated scores but remains as Amber:

- **P01** – Police and Crime Commissioner: Amber to green, rating reduced from 9 to 4. (Impact decreased from 3 to 2, Probability decreased from 3 to 2).
- **C02** – ICT Loss of systems: This has remained as Red from quarter 3. Quarter 4 Commentary – We expect this risk to be downgraded by the end of the next reporting period.

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
0300 0030 106, 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,
0300 0030 107, 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 Richard Mould, Lead member for Strategic Intelligence & Insight

Document Information

Appendix No	Title
1	Exceptions – Red Risks
2	Full Risk Register

3	High Level Risk Summary
Background Papers	
None	
Report Author	Louise Tustian, Team Leader, Strategic Intelligence & Insight Team
Contact Information	Louise.tustian@cherwellandsouthnorthants.gov.uk 01295 221786

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Appendix 2 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	C02	CDC - ICT Loss of Systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.)	4	4	16	4	4	16	Mar-17		Dec 16	16
Current Controls : BCP Plan Disaster recovery (DR) arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime) Assurances : Formal auditing, IT Health check and benchmarking with best in private and public sector. Risk Commentary : We expect this risk to be downgraded by the end of the next reporting period.													
CDC	P01	Police and Crime Commissioner (PCC) - Thames Valley	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the council PCC commissions projects that don't align with strategic objectives of the council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC leading to failure to achieve corporate objectives and loss of reputation	3	3	09	2	2	04	Mar-17		Dec 16	09
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 Assurances : PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP. Risk Commentary : The PCC has confirmed that funding will continue with a10% reduction which is within the current spend demand													

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Strategic Risks

Council	Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
Shared	S01	Policy and legislative change	The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge	5	4	20	4	3	12	Mar-17	➡	Dec 16	12
<p>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.</p> <p>Assurances : No legal challenge has been made to any decision by either Council alleging misapplication of the law</p> <p>Risk - Reasons for rating change No legal challenge has been made to any decision by either CDC or SNC alleging misapplication of the law</p>													
Shared	S02	Financial resilience	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	Mar-17	➡	Dec 16	12
<p>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</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>Risk - Reasons for rating change No amendment to risk in Q4.</p>													
Shared	S03	Capital investment	Poor investment and asset management results in the councils not maximising financial return or losing income.	4	3	12	3	2	06	Mar-17	➡	Dec 16	06
<p>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 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>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>Risk - Reasons for rating change No amendment to risk in Q4.</p>													
Shared	S07	Customer Service Improvement (including channel shift)	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	3	4	12	3	3	09	Mar-17	➡	Dec 16	09
<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>Assurances : Project governance, performance management reporting, customer insight reporting.</p> <p>Risk - Reasons for rating change transformation program is a long term project which will continue well into 17/18. Therefore this risk must remain. The mitigation factors do not need amending</p>													

Strategic Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
CDC	S10 Deprivation and Health Inequalities (Brighter Futures in Banbury)	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	4	3	12	3	2	06	Mar-17	➡	Dec 16	06
<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>Assurances : Project governance Local Strategic Partnership (LSP) oversight, Quarterly reporting Annual Report</p> <p>Risk - Reasons for rating change no change required in Q4</p>												
CDC	S11 CDC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	5	4	20	3	3	09	Jan-17	➡	Dec 16	09
<p>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</p> <p>Assurances : Consideration by Portfolio Holder, Executive and Full Council. The regulated Stages for plan preparation are set out in the published Local Development Scheme.</p> <p>Risk - Quarterly Review A new LDS is being prepared and reviewed in April 2017.</p>												
CDC	S12 North West Bicester (Eco-town)	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	Mar-17	➡	Dec 16	09
<p>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</p> <p>Assurances : Programme Governance Performance Management</p>												
CDC	S13 Bicester town centre development	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	Mar-17	➡	Dec 16	09
<p>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</p> <p>Assurances : Project Governance</p>												
CDC	S14 Graven Hill	Failure to deliver the project results in severe loss of economic benefit, local dissatisfaction and damage to reputation	4	3	12	3	3	09	Mar-17	➡	Dec 16	09
<p>Current Controls : Project Manager Project Board Companies set up Business Plan and Finance Plan being monitored</p> <p>Assurances : Project Governance</p>												
		Failure to deliver the programme results in failure to:										
		• deliver savings										

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Strategic Risks

Council	Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
Shared	S16	Transformation Programme	<ul style="list-style-type: none"> • deliver the councils' commercial objectives • reputation damage • improve services and deliver efficiencies 	4	4	16	3	3	09	Mar-17	➡	Dec 16	09
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 Assurances : Annual Audit Quarterly performance management Monthly member oversight													
CDC	S17	Build Development Programme	Failure to deliver the Build! Programme resulting in financial loss, loss of economic benefit, local dissatisfaction and damage to the Council's reputation.	5	3	15	4	3	12	Mar-17	➡	Dec 16	12
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 & Safety procedures and Construction, Design & 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. 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													
CDC	S18	Banbury Development	The sites are complex and in multiple ownership. There are conflicting development pressures and challenges with site viability	4	4	16	3	2	06	Mar-17	➡	Dec 16	06
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) Site Market testing of sites to be concluded in February 2016 Assurances : Regular risk monitoring and review discussions by the project board													
CDC	S19	Asset Management	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	Jan-17	➡	Dec 16	08
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 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 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.													
Shared	S20	Dry Recycling Contract	Failure to renegotiate/extend Dry Recycling Contract due February 2015. Current suppliers, UPM were asked to extend Contract for a further three years but are trying to get out of an extension due to financial losses. Failure to legally enforce contract extension option or renegotiate contract could lead to the need for short term arrangements or re-tender of	4	4	16	4	3	12	Mar-17	➡	Dec 16	12

Strategic Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
		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.										

Current Controls : Legal, Procurement & financial advice
Assurances :

Shared	S21	Oxfordshire Devolution Deal and Unitary Authority (ODD&UA) - Stage 1 Options Appraisal Oxfordshire Devolution Deal and Unitary Authority (ODD&UA)	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	5	3	15	Mar-17	➡	Dec 16	15
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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
Assurances : • Project timeline • Regular meetings of Leaders and Chief Executives • Regular liaison with PwC team and Oxfordshire District Councils

Corporate Risks

Council	Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
Shared	C01	Business Continuity	Plans are not in place and assumptions are made about the Disaster Recovery (DR) arrangements in the event of a Business Critical (BC) incident, leading to failure to ensure services can be delivered in the event of a issue resulting is service failure and reputational damage	5	4	20	3	4	12	Mar-17	➡	Dec 16	12
<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>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> <p>Risk - Reasons for rating change Business Continuity Plans to be refreshed by end of year. Audit taking place March 2017 - April 2018</p>													
CDC	C02	CDC - ICT Loss of Systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.)	4	4	16	4	4	16	Mar-17	➡	Dec 16	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>Assurances : Formal auditing, IT Health check and benchmarking with best in private and public sector.</p> <p>Risk - Reasons for rating change We expect this risk to be downgraded by the end of the next reporting period.</p>													
Shared	C04	Corporate Fraud	Lack of corporate governance and control results in fraud from either within or outside the councils heightened by the transfer of staff to the Single Fraud Investigation Service (SFIS) from February 2015.	4	4	16	3	2	06	Mar-17	➡	Dec 16	06
<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 & prevention corporate policies in place such as Whistle Blowing and Anti-fraud & Corruption Policy. Standard agenda items on Accounts, Audit and Risk Committee and Audit Committee. Use of internal and external audit as part of planned programme and on an ad-hoc basis as required.</p> <p>Assurances :</p> <p>Risk - Reasons for rating change No change required</p>													
Shared	C05	Managing Data and Information	Poor data quality or lack of relevant information results in poor decision making	4	4	16	2	3	06	Mar-17	➡	Dec 16	06
<p>Current Controls : Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place Quarterly performance reporting Monthly tracking of key measures</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>Risk - Reasons for rating change This risk needs to remain for 2017/18 and will be linking in with GDPR either as a separate risk or as part of this existing risk.</p>													
Shared	C06	Member Decision Making	That members do not have access to information and support to make effective decisions	4	4	16	4	3	12	Mar-17	➡	Dec 16	12
<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</p>													

Corporate Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating				
Council member Assurances : No decision has been made by either Council which is inconsistent with the policy framework or legal requirements Risk - Reasons for rating change No decision has been made by either Council which is inconsistent with the budget and policy framework or legal requirements																
Shared	C08	Safeguarding Children	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	★	Mar-17	➡	Dec 16	05	★
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 - new whole staff shared approach being launched in the summer. 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 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.																
Risk - Reasons for rating change No change required in Q4																
Shared	C09	Safeguarding	Failure to:- identify safeguarding concerns and issues; use agreed protocols for escalating safeguarding concerns; use diverse community intelligence to best effect internally and externally.	4	4	16	▲	4	2	08	●	Mar-17	➡	Dec 16	08	●
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 Assurances : The established "See It Report It" process has controls and monitoring arrangements for different levels in the organisation for assurance purposes																
Risk - Reasons for rating change No change to risk required for Q4																
Shared	C10	Communications	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	●	Mar-17	➡	Dec 16	09	●
Current Controls : Centralised press office function Members attributed and sign of press releases Communications plans in place for all major projects Members media training Social Media and Acceptable Use Policy in place Assurances : SNC Members communications panel SNC Portfolio Holder for communications CDC lead member for communications Quarterly performance reporting CDC and SNC annual satisfaction survey includes comprehensive communications section																
Risk - Reasons for rating change No change required for this risk in Q 4																
Shared	C11	Equalities	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	4	4	16	▲	4	3	12	●	Mar-17	➡	Dec 16	12	●
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 Discrimination Complaints Monitoring. Assurances : Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.																
Risk - Reasons for rating change Risk rating to stay the same this quarter, no amendments have been made to the controls. However, during Q1 17/18 some controls will be reviewed in line with the outcome of the Performance & Insight Business Case.																
Shared	C12	Health and safety	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	5	4	20	▲	5	2	10	●	Mar-17	➡	Dec 16	10	●
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																

Corporate Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
that may be affected by the Councils actions Assurances : BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard.												
CDC	C13	Emergency Planning (EP)	4	3	12	4	2	08	Mar-17	➡	Dec 16	08
<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>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>Risk - Reasons for rating change no change needed</p>												
Shared	C15	ICT Transformation and Transition	4	4	16	3	3	09	Mar-17	➡	Dec 16	09
<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>Assurances : Audit Quarterly performance management Monthly member oversight</p>												
Shared	C16	Inability to download new voter registrations	4	3	12	3	3	09	Dec-16	➡	Sep 16	09
<p>Current Controls : Testing of connectivity has taken place and been successful. Feedback to Cabinet Office has been given. Larger server at Cabinet Office so repeat of 2014 is unlikely.</p> <p>Assurances : Third party assurances from Cabinet Office</p>												
Shared	C17	Cyber Security	4	4	16	4	3	12	Mar-17	➡	Dec 16	12
<p>Current Controls : Reviewed weekly by security officer. IT Managers work together to ensure risk is minimised.</p>												

Corporate Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
Assurances : The IT service will implement agreed plan to address risk. Needs to be embedded at all levels in the Council.												
Risk - Reasons for rating change												
We expect this risk to be downgraded by the end of the next reporting period.												
Shared	C18	Lack of Capacity at Management Level Delays to completing the management restructure, including filling the role of Commercial Director, may lead to missed opportunities and delays in commercialising Council Services, could reduce income potential and reduce resilience, could create instability in transformational strategic leadership and could lead to the delay of delivery of other Council strategic priorities.	4	4	16	3	3	09	Mar-17		Dec 16	09
Current Controls : Interim and act up arrangements in place to cover the role of Commercial director to ensure the Council's commercial delivery programme continues according to schedule, with appropriate backfilling of roles to ensure no loss of essential service within council functions. All other management positions are currently filled and delivering towards strategic priorities. Scrutiny of performance remains in place and resilience of management team tested regularly												
Assurances :												

Partnership Risks

Council Ref.	Name	Description	Gross Impact	Gross Probability	Gross Risk	Current Impact	Current Probability	Residual Risk	Last updated	Change	Since	Previous rating
CDC	P01 Police and Crime Commissioner (PCC) - Thames Valley	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the council PCC commissions projects that don't align with strategic objectives of the council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC leading to failure to achieve corporate objectives and loss of reputation	3	3	09	2	2	04	Mar-17	↑	Dec 16	09
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 Assurances : PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP. Risk - Reasons for rating change The PCC has confirmed that funding will continue with a10% reduction which is within the current spend demand												
Shared	P04 South Midlands LEP (SEMLEP)	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	4	4	16	2	2	04	Mar-17	→	Dec 16	04
Current Controls : Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Cabinet Member /Leadership Involvement Assurances : Reporting to Planning Policy and Regeneration Strategy Committee.												
CDC	P05 Oxfordshire LEP	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	2	2	04	Mar-17	→	Dec 16	04
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 Revised SEP agreed by Executive following substantive input from CDC.												
CDC	P07 Safeguarding in Partnership with OCC (CDC)	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	Mar-17	→	Dec 16	09
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 Assurances : Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence. Risk - Reasons for rating change no change needed for Q4												

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Council	Click on risk to see controls and assurances to the left	Last Quarter Dec 16	Rating	Latest update	from	Rating	Change	Risk rating last changed
CDC	C02 - CDC - ICT Loss of systems	16	▲	16	Mar 17	▲	➡	Sep 16
Shared	S21 - Oxfordshire Devolution Deal and Unitary Authority (ODD&UA)	15	●	15	Apr 17	●	➡	Dec 16
CDC	S17 - CDC - Build! @ Development Programme	12	●	12	Apr 17	●	➡	
Shared	S02 - Common - Financial resilience	12	●	12	Apr 17	●	➡	
Shared	S01 - Common - Policy and legislative change	12	●	12	Mar 17	●	➡	
Shared	S20 - Common - Dry Recycling Contract	12	●	12	Apr 17	●	➡	
Shared	C11 - Common - Equalities	12	●	12	Mar 17	●	➡	Mar 16
Shared	C01 - Common - Business Continuity	12	●	12	Mar 17	●	➡	
Shared	C06 - Common - Member Decision Making	12	●	12	Mar 17	●	➡	
Shared	C12 - Common - Health and Safety	10	●	10	Apr 17	●	➡	
Shared	C15 - ICT Transformation and Transition	09	●	09	Apr 17	●	➡	
Shared	S16 - Transformation Programme	09	●	09	Apr 17	●	➡	
CDC	P07 - CDC - Safeguarding in Partnership with OCC	09	●	09	Mar 17	●	➡	Dec 16
CDC	S14 - CDC - Graven Hill	09	●	09	Apr 17	●	➡	
Shared	C10 - Common - Communications	09	●	09	Mar 17	●	➡	
Shared	S07 - Common - Customer Service Improvement (including channel shift)	09	●	09	Apr 17	●	➡	
CDC	S13 - CDC - Bicester Town Centre Development	09	●	09	Apr 17	●	➡	
CDC	S11 - CDC - CDC Local Plan	09	●	09	Apr 17	●	➡	Jun 16
CDC	S12 - CDC - North West Bicester (Eco-Town)	09	●	09	Apr 17	●	➡	
Shared	C09 - Common - Safeguarding	08	●	08	Apr 17	●	➡	Dec 16
CDC	C13 - Common - Emergency Planning (EP)	08	●	08	Mar 17	●	➡	Mar 16
CDC	S19 - CDC - Asset Management	08	●	08	Apr 17	●	➡	
CDC	S18 - CDC - Banbury Development	06	●	06	Apr 17	●	➡	Dec 16
Shared	C04 - Common - Corporate Fraud	06	●	06	Mar 17	●	➡	Jul 16
Shared	S03 - Common - Capital Investment	06	●	06	Apr 17	●	➡	
Shared	C05 - Common - Managing Data and Information	06	●	06	Mar 17	●	➡	Jun 16
CDC	S10 - CDC - Deprivation and Health Inequalities (Brighter Futures)	06	●	06	Mar 17	●	➡	Dec 16
Shared	C08 - Common - Safeguarding Children	05	★	05	Apr 17	★	➡	Dec 16
CDC	P01 - CDC - Police and Crime Commissioner (PCC) (Thames Valley)	09	●	04	Mar 17	★	➡	Dec 16
Shared	P04 - Common - South Midlands LEP (SEMLEP)	04	★	01	Apr 17	★	➡	Dec 16
Shared	C16 - Common - Inability to download new voter registrations	09	●	01	Apr 17	★	➡	
CDC	P05 - CDC - Oxfordshire LEP (OLEP)	04	★	01	Apr 17	★	➡	Dec 16

Count Summaries			
Last Quarter			
▲	●	★	Total
1	28	3	32

Change			
➡	★		Total
28	4		32

This Quarter			
▲	●	★	Total
1	26	5	32

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Cherwell District Council

Accounts, Audit & Risk Committee

28 June 2017

2016/17 Treasury Management Annual Report
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Report of the Chief Finance Officer

This report is public

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 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 this report in line with the Treasury Management Strategy.

2.0 Introduction

- 2.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2016/17 and the actual performance against Prudential Indicators for 2016/17.
- 2.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. During 2016/17 the reporting requirements were that members receive an annual treasury strategy in advance of the year, a mid-year treasury report and an annual report describing the activity compared to the strategy. The Accounts, Audit and Risk Committee has been nominated to scrutinise the treasury activity of the Council and they receive regular reports on compliance with strategy and a comprehensive overview of investments made.
- 2.3 The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.
- 2.4 Councils invest money from the sale of assets and invest Government revenue grant paid to councils in regular intervals, before they have to spend it. This is with the aim of earning interest to support services and keep council tax down. All investments are placed to ensure security of investments firstly, followed by liquidity and the final consideration is yield.

- 2.5 Cherwell District Council sold its housing stock in 2004 and this generated a substantial capital receipt. It is the Council's capital receipts and useable reserves that are being invested. As the Council continues to invest in infrastructure throughout the District, these balances are reducing.

3.0 Report Details

- 3.1 The Treasury Management Strategy for 2016/17, which includes the Annual Investment strategy, was approved by Council in February 2016. It sets out the Council's ranked investment priorities in the order: security of capital, liquidity and yield.
- 3.2 In 2016/17 the Council aimed to achieve the optimum return (yield) from investments but always within the context of proper levels of security of the monies and liquidity.

Annual Treasury Performance 2016/17

- 3.3 The financial year continued the challenging investment environment of previous years, namely lower investment returns and continuing heightened levels of counterparty risk.
- 3.4 The average level of funds available for investment purposes during was £44.0m. The funds were available on a temporary basis, and amount available was dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The closing balance is significantly lower the previous year (£37.6m) primarily due to utilisation of funds for Graven Hill.
- 3.5 Investment performance at 31 March 2017 was as follows :-

Amount at 31 March 2017 £	Interest Budget £	Actual Interest £	Variance £	*Average Rate of Return %
17,952,000	175,000	230,000	55,000	0.52

** Rate of Return is shown on annualised basis*

- 3.6 Appendix 1 (to follow) provides details of the treasury management and prudential indicators for 2016/17.

3.7 Other Investment Activity

Although not classed as treasury management activities and therefore not covered by the CIPFA Code, the Council also holds £32.3m of investments with Graven Hill (£12.9m equity and £19.3m loans). This non-treasury investment accrued £528k loan interest for the Council 2016/17, representing an average rate of 5.5%. This is higher than the return earned on treasury investments, but reflects the additional risks to the Council of holding such investments.

3.8 Icelandic Investments

As previously reported, the final tranche of Icelandic investments held by the Council were repaid, with associated interest, in June 2016.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2016/17 and the actual performance against Prudential Indicators for 2016/17.

5.0 Alternative Options and Reasons for Rejection

- 5.1 This report illustrates the Council's Treasury performance for 2016/17 against budget and includes the Annual Treasury Report 2016/17.

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

Option One To review current performance levels, and consider any actions arising.

Option Two To approve or reject the recommendations above or request that Officers provide additional information.

6.0 Implications

Financial and Resource Implications

- 6.1 There are no specific financial effects arising directly from this report other than the impact on reserves as outlined in paragraphs 2.5 and 3.4 above.

Comments checked by: Sanjay Sharma – Interim Head of Finance, Sanjay.sharma@cherwellandsouthnorthants.gov.uk, 01295 221564

Legal Implications

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

Comments checked by: Kevin Lane, Head of Law and Governance
kevin.lane@cherwellsouthnorthants.gov.uk 0300 0030107

Risk management

- 6.3 There are no risk implications arising directly from any outcome of this report. All projects maintain their own risk registers and these are monitored corporately.

Comments checked by: Louise Tustian, Team Leader – Strategic Intelligence & Insight
louise.tustian@cherwellandsouthnorthants.gov.uk 01295 221786

Equality and Diversity

- 6.4 There are no equality and diversity implications arising directly from any outcome of this report.

Comments checked by: Caroline French, Corporate Policy Officer
caroline.french@cherwellandsouthnorthants.gov.uk 01295 221586

7.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Tony Ilott – Lead Member for Financial Management

Document Information

Annex No	Title
Appendix 1 (to follow)	2016-17 Treasury Management and Prudential Borrowing Indicators. (to follow)
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	paul.sutton@cherwellandsouthnorthants.gov.uk 0300 0030106

Cherwell District Council

Accounts, Audit and Risk Committee

28 June 2017

Annual Governance Statement 2016/17
--

Report of the Chief Finance Officer

This report is public

Purpose of report

To report the Annual Governance Statement. The Annual Governance Statement will be considered at the same time as the Statement of Accounts for 2016/17.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and endorse the Annual Governance Statement 2016/17 (Appendix 1).

2.0 Introduction

- 2.1 The Annual Governance Statement is attached at Appendix 1. It is an item for consideration and endorsement prior to formal sign off by the Leader of the Council and the Chief Executive.

3.0 Report Details

- 3.1 The Annual Governance Statement is part of the CIPFA/SOLACE governance framework. It is a wide ranging document that is governance focussed and must be considered and "owned" corporately. It is separate from the Statement of Accounts but is considered alongside them.
- 3.2 The document describes our governance arrangements and assesses how closely we align with good practice. In overall terms this is a positive statement for the financial year 2016/17 with no significant unaddressed governance issues to report. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the overall scrutiny process and external audit. The Internal auditors have identified three high risk issues during the year relating to programme management, business continuity and IT security, none of these issues relates to core financial systems and the reports have yet to be finalised.

4.0 Conclusion and Reasons for Recommendations

4.1 To consider and endorse the Annual Governance Statement.

5.0 Consultation

5.1 None.

6.0 Alternative Options and Reasons for Rejection

6.1 None.

7.0 Implications

Financial and Resource Implications

7.1 There are no direct financial implications stemming from this report.

Comments checked by:

Sanjay Sharma, Interim Head of Finance, 01295 221564

sanjay.sharma@cherwellandsouthnorthants.gov.uk

Legal Implications

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

Comments checked by:

Kevin Lane, Head of Law and Governance

kevin.lane@cherwellandsouthnorthants.gov.uk

Risk Management

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

Comments checked by:

Louise Tustian, Team Leader – Strategic intelligence and Insight, 01295 221786

louise.Tustian@cherwellandsouthnorthants.gov.uk

Equality and Diversity

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

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

caroline.french@cherwellandsouthnorthants.gov.uk

8.0 Document Information

Annex No	Title
Appendix 1	Annual Governance Statement 2016/17.
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.sutton@cherwellandsouthnorthants.gov.uk 0300 0030106

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Annual Governance Statement 2016/17

Executive Summary

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The Annual Governance Statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

This document describes our governance arrangements and assesses how closely we align with good practice. In overall terms this is a positive statement for the financial year 2016/17. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the overview and scrutiny process and external audit.

External audit is undertaken by Ernst and Young and this provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2015/16 accounts, the latest published.

In common with all local authorities, the Council faced an extremely challenging year in 2016/17 as it sought to manage the implications of the local government resource review, welfare reform changes, budget reductions, increasing demand for key services and new ways of working. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

The Council's long term vision for the district is ambitious. Working with our partners in the public, private and voluntary sectors we are aiming to build a District with a diverse economy. A selection from the Council's Pledges is given below and listed in full within the Business Plan 2016/17.

- Graven Hill: deliver the demonstration project on the Graven Hill site,
- Work with the local police and licence holders to ensure our town centres remain clean, safe and vibrant at all times.
- Deliver at least 190 units of affordable housing including a high proportion constructed using self-build methods. Planning for 133 affordable rented homes and 57 shared ownership or other low cost home ownership scheme.
- Reduce the cost of providing our services through partnerships, joint working and other service delivery models.

As this statement will show, the Council has a strong system of internal control, performance and risk management and action plans are in place to address issues and progress will continue to be monitored during the course of 2017/18.

1.1 Scope of Responsibility

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

In discharging this overall responsibility, Cherwell District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. A copy of the code is on the Council's website. This statement explains how Cherwell District Council has complied with the code and also meets the requirements of regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

1.2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the local community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Cherwell District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

The governance framework has been in place at Cherwell District Council for the year ended 31st March 2017 and up to the date of the approval of the statement of accounts.

1.3 The Governance Framework

The following sections align to the 'Delivering Good Governance in Local Government Framework' (CIPFA/SOLACE) and provide evidence against each of sections contained within that document.

1.3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

The Council's long term strategic objectives are set out in the five year Corporate Strategy which is supported by the annually reviewed business plan. Progress is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. Our annual financial planning process is driven by the Council's medium term financial strategy to ensure our future priorities and ambitions are resourced.

The Council's long term strategic objectives are set out in the five year Corporate Strategy supported by the annual business plan. The plan identifies and communicates the vision of its purpose and intended outcomes for citizens and service users through a variety of media including its website, Cherwell Link magazine and consultation documents working with Cherwell Local Strategic Partnership (LSP). The Council chairs LSP for Cherwell with Membership of the LSP including members from the county, district, town and parish councils, Thames Valley Police, the faith, business and voluntary communities.

The Council's five year strategy sets out the organisation's vision and key strategic priorities. The business plan is refreshed on an annual basis and the updated version published. It sits alongside the budget as a key corporate document and is subject to the same public consultation process.

The Council's service and financial planning process incorporates substantial consultation with all sections of the community. At the corporate level this includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement, and a budget consultation process that is focused on qualitative research with stakeholders. In addition we target harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation.

At service level, individual service areas and teams undertake public consultation. The Council has a consultation and engagement strategy, and action plan to support this. During 2016/17 the Council, working with its partners, continued to work to improve opportunities for public feedback through Connecting Communities events and through our Annual Customer Satisfaction Survey that help us to set and test strategic direction.

The corporate agenda is communicated to staff through regular briefings from the Chief Executive, a "cascade" system and the staff magazine as well as through staff engagement in the service planning process. Additional communication activities are also undertaken in relation to key projects such as shared services.

1.3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Council reviews its vision and the implications for its governance arrangements by regularly updating its five year strategy, reviewing the annual business plan and major strategy documents. The Council has a Medium Term Financial Strategy (MTFS) in place to ensure future ambitions are resourced. The MTFS is the Council's key financial planning document. It is driven by our five year strategy and annual business plan and the four strategic priorities which lie at the heart of it:

- District of Opportunity
- Safe, green and clean
- A thriving community
- Sound Budgets and Customer Focussed Council

This strategy sets clear targets to ensure balanced resources are set and focus resources on front line services in a time when government funding has been reduced.

The Council agreed on the 8th December 2010 to joint working arrangements with South Northamptonshire Council and these arrangements were confirmed with the appointment of the Shared Chief Executive in May 2011. This was followed up by the appointment of three directors and eight heads of service in October 2011. Further joint working arrangements have either been implemented or are being investigated by directorate, based on individual business

cases, to deliver further savings whilst protecting frontline services. In September 2013, Cherwell created a fourth director role for Bicester which isn't a shared post.

Cherwell District Council and South Northamptonshire Council remain separate independent entities, retaining their sovereignty. Elected members of both councils will remain in charge of decision making in line with their visions, strategic aims, objectives and priorities

During 2016/17 the councils also extended their joint working to cover a wider remit of services. Governance is underpinned by a joint committee (called the Joint Commissioning Committee) which oversees shared services.

1.3.3 Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources

Mechanisms are in place to measure the quality of services for users, ensuring they are delivered in accordance with Cherwell District Council's objectives and that they represent the best use of resources. The Council continues to improve performance management within the organisation. Service quality and best use of resources is ensured via:

- Performance Matters (a performance management system for monitoring and recording performance indicator data and business plans) responsibility of managers to report on a monthly and quarterly basis
- Quarterly Review of Financial Performance Reports
- Transformation and Projects

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its performance against Performance Indicators and also against service plans and strategies. This is encapsulated within the Performance Management Framework.

Financial reports comparing budget to actual and projections to end of year are distributed to all key officers on the first working day of each month, with access/drilldown facilities appropriate to role and responsibilities. This reporting tool, known as the dashboard, includes the reasons/actions to be taken for all red flagged items. Within a further five working days, a projections module is available which includes a detailed analysis prepared by each Head of Service and Service Accountant relating to full year outturn projection.

Financial reporting is effectively delivered through the financial dashboard which is produced and distributed on a monthly basis. This provides a robust mechanism for closely monitoring budgets and effectively challenging or addressing the variances identified with the relevant Heads of Service.

The dashboard provides comprehensive and timely budget monitoring, producing a year end outturn with no unexpected variances against budget. It has also enabled funds to be reallocated within year to alternative Council priorities.

The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. The Council encourages staff involvement in the improvement process and actively uses the findings of external agencies and inspections and the national efficiency framework, to drive improvement. Every report to members carries a paragraph that assesses what efficiency savings the proposal might generate.

The external audit Annual Audit Letter gave an unqualified Value for Money conclusion in September 2015. This means that the Ernst & Young is satisfied that the Council has adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

1.3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

A clear statement of the respective roles and responsibilities of the executive, the members and the senior officers are held within:

- The Constitution (available on the Council's website)
- Officer job descriptions

The budget and policy framework is determined by full Council. The Executive has delegated authority to take most decisions within that framework other than legally specified non-executive decisions such as those relating to regulatory and staffing matters. Executive decisions are subject to scrutiny. All meetings are open to the public unless confidential or exempt items, as defined by the Local Government Act 1972 as amended, are discussed. All Executive meetings are webcast and are available in archived format for six months from the date of the meeting.

The Joint Commissioning Committee, which includes members from South Northamptonshire Council, has overall responsibility for the provision, to the adopting councils, of shared services arrangements both in respect of services the Councils have direct responsibility for and services provided to the Councils via the confederation company and its delivery units (if established).

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. The Committee can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

A Joint Scrutiny Committee, which includes members from South Northamptonshire Council, has been established to scrutinise the work of the Joint Commissioning Committee when exercising executive functions delegated to it. It did not meet in 2016/17 but will do so in 2017/18.

The Budget Planning Committee is a Committee of Council which makes recommendations to the Executive on matters relating to the finances of the authority. Its role is to provide a strategic overview of all matters affecting the current and future finances of the authority and it also plays a key role in supporting the budget setting strategy and process.

The Standards Committee has responsibility for ensuring the highest standards of councillor behaviour. This meets when needed to consider reports on investigations into complaints of breach of the Councillors' code of conduct by councillors of this authority or any Town or Parish Council in the district. There is a common code of conduct throughout all Oxfordshire councils with limited exceptions which means that any Cherwell district councillors who are also County and/or parish councillors have to abide by a single consistent set of rules. The Head of Law and Governance as statutory monitoring officer has extensive delegated authority from the Committee to process and determine complaints in consultation with two statutory independent persons. It has not been necessary for the Committee to meet to consider any complaints against councillors in 2016/17.

The Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts.

The Section 151 officer, his deputy and the Monitoring officer meet informally as necessary to review the governance arrangements of the Council and provide input into this Annual Governance Statement. The senior officer management team is the Joint Management Team which meets formally once a month.

1.3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The key documents and techniques used to develop the code of conduct and high standards of behaviour that we achieve within Cherwell District Council comprise:

- The Constitution
- Codes of conduct and associated protocols
- HR policies and procedures
- Internal / External Communications Policy
- Whistle blowing policy
- Recruitment policy and Appraisal processes
- Registers of member interests
- Complaints policy and procedures
- Internal Audit work
- External Audit Reports
- Chief Executive briefings
- In Brief
- Staff Induction Programme
- Intranet and Website Messages

The Council has adopted codes of conduct for members and officers. The codes and protocols of the Council are in part three of the constitution. The code of conduct for councillors is a mandatory requirement and includes provision for the registration and notification of disclosable pecuniary interests backed up by criminal sanction.

1.3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Under the Local Government Act 1972, as amended, the Council is able to delegate decisions to committees or officers but is required to have a scheme of delegation setting this out. The scheme of delegation is part of the Council's constitution. Since October 2012 the Council has adopted a joint scheme of officer delegations with South Northamptonshire Council so as to ensure that the shared management team members are working to substantially the same delegated powers at both Councils thereby mitigating the risk of misapplication of one Council's powers while acting for the other. This joint scheme was amended in October 2013 to reflect a re-allocation of roles amongst individual members of the shared management team. Since December 2012 the Council has also adopted joint Financial Procedure Rules and Contract Procedure Rules on a similar basis. An accurate up to date constitution reduces the risk of challenge to the Council's decisions.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy which has been recently reviewed in April 2016. Recommendations and amended working practices have been discussed and will be embedded within Quarter 1 of 2016/17. Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. All Heads of Service review and update their strategic, corporate and partnership risks online quarterly. Heads of Service and managers are responsible for managing their operational risk registers and escalating as and when necessary to the corporate register. For each risk noted

on the register, responsible officers are required to identify controls that are in place to mitigate the risk.

A risk management workshop for members is held on an annual basis, the next one will be held within the first quarter following the recent elections. Management and officer training was held in April 2016, a working group will be set up and refresher training will follow later in the year. The purpose of these workshops is to review and revise the strategic risk register and provide an update on the Council's risk management strategy. Risks are categorised as either strategic, corporate, partnership or operational. All strategic, corporate and partnership risks are reviewed on a monthly basis at JMT level as of May 2016. The Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has also been updated and training has been provided for the Accounts, Audit and Risk Committee. Operational risks are managed at the departmental level, reviewed by DMT on a quarterly basis.

The on-going working arrangements due to the joint working arrangements with South Northamptonshire Council require a shared approach around a Joint Risk strategy and Opportunities Management Strategy both Councils in achieving their objectives through proactive risk management.

The risk register is considered by the Joint Management Team, and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted. The South Northamptonshire Council's Audit Committee and the Cherwell District Council's Accounts, Audit and Risk Committee receive regular risk management updates and review the strategic risk register. This oversight 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.

Joint working arrangements are in place, the following list summarises the key activities that were undertaken to ensure risk management is embedded across both councils.

1. A monthly process of risk review covering both the strategic and operational risk registers at JMT.
2. Quarterly monitoring reports will be presented to relevant council committees to ensure Councillors have good access to risk information.
3. 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.
4. An internal audit of risk management will take place annually.
5. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
6. 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.
7. 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 in Quarter 4.

8. The Risk Officer working group is being re-established within Quarter 1 as required to embed, review or develop risk practices.
9. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on to JMT on a monthly basis with any required corrective action identified and agreed upon. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specific earmarked reserves to deal with identified non-insurable risks.

The Council has staff with specific responsibility for health and safety, and operate Integrated Management Standards, ISO 14001:2004 Environmental Standard and OHSAS 18001 covering all aspects of the Councils work. Both these standards are audited twice a year by external auditors, in addition quarterly monitoring reports are produced for the Councils Health and Safety Committee and an annual report is submitted to the Integrated Management Board.

Following the transfer of Housing Benefit fraud investigations to the Department for Work and Pensions in February 2015 a new joint Corporate Fraud Investigation team was established with the aims to prevent, detect, investigate and sanction cases of non-Housing Benefit fraud including Council Tax discount fraud, housing tenancy fraud and grant fraud.

In 2016/17 151 investigations were completed by the joint team, fraud was proven in 28 of these cases. The strategy of publishing our prosecutions in the local papers and the Council's own publication acts as a deterrent against this type of abuse and give assurance to Cherwell District Council that the Council is discharging its responsibility to protect public Funds

The Council participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council also participates in data matching exercises through the Housing Benefit Matching Service. This matches data held by the Council with that of other agencies such as DWP, to identify cases where fraud may have been committed.

The Anti-Fraud and Corruption Policy and the Whistle Blowing Policy have been updated and were endorsed by the Audit Committee in March 2015.

1.3.7 The Authority's financial management arrangements do conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

In June 2009, CIPFA launched its 'Statement on the Role of the Chief Financial Officer (CFO) in Public Service Organisations'.

The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The statement advocates that the CFO in a public services organisation:

- Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

CIPFA has issued its 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The statement draws heavily on the 'Statement of the Role of the Chief Financial Officer in Public Service Organisations' and applies the principles and roles set out in that document to local government.

With the implementation of joint working arrangements the Chief Finance Officer is the Council's nominated Section 151 Officer.

1.3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. In particular it has an on-going role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council.

During 2016/17, the committee received the annual risk strategy and quarterly updates on the Risk Register. The committee received annual training on Treasury Management as part of the treasury strategy which was delivered by the Council's advisors Capita Asset Services.

1.3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Chief Officers and Heads of Service take responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Cherwell District Council observes all specific legislative requirements and adheres to the general principles of good administrative law – rationality, legality and natural justice.

The Head of Law and Governance is designated as the Council's Monitoring Officer and it is his responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with council policies. All reports that go before Council and Cabinet are reviewed by the Monitoring Officer to ensure the legality of the Council's actions. Additional external legal advice is sought where appropriate.

The Chief Finance Officer is responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensures financial management of the Council is conducted in accordance with the Financial Procedure Rules (article 9 of the Constitution). Financial management facilitates service delivery through the five-year Medium Term Financial Strategy and the annual budget process, underpinned by the Treasury Management Strategy.

Cherwell District Council actively recognises the limits of lawful activity implicit in the ultra vires doctrine, and strives to employ its powers to the full benefit of its communities.

1.3.10 Whistle blowing and receiving and investigating complaints from the Public

The Council has well-developed processes for whistle blowing and for receiving and investigating complaints both internally and from the public. The whistle blowing policy is available on the intranet and the corporate complaints procedure is available on the internet. All new members of staff receive a copy of the whistle blowing policy and a leaflet entitled 'Don't Turn a Blind Eye' in their induction packs.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. There were no incidents of whistleblowing reported in 2016/17.

Complaints can be made by telephone, in writing or by visiting the Council. The Council aims to resolve all complaints at the point of contact wherever possible. Where this is not achievable, the Council's corporate complaints procedure (available on the website) outlines a formal two stage process for rectifying issues. The definition of a complaint is:

- a service being delivered at a lower standard than is set out in council policy or SLAs
- the attitude of staff
- neglect or delay in responding to customers
- failure to follow agreed procedures/policies
- evidence of bias or unfair discrimination.

Electronic training was rolled out in 2014/15 to all employees. The council reports its performance on a quarterly basis and complaints including Ombudsman investigations are included within this report. An annual summary is provided in the Council's Annual Report which is published in June/July each year.

1.3.11 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Member Development and Support Strategy was agreed by Executive in September 2009. The Strategy sets out the Council's commitment to member development and support. It explains the responsibilities of the Council in delivering effective support to members. All members are given a copy of the strategy upon election to the Council and it is available on the Council's website. The strategy has raised the profile of member development within the organisation. Executive responsibility for member development sits with the Leader of Council whose areas of responsibility include Democratic Services.

Members and officers are also invited to suggest topics for development sessions at any point during the year. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

In 2016/17 there were 16 formal training or briefing sessions arranged by Cherwell District Council. The total attendance at all events was 197 Cherwell District councillors and 30 external attendees (other district councillors, town/parish councillors, town/parish clerks, officers and partners). The training sessions are categorised to help members choose the appropriate training to suit their individual requirements. There are six training categories:

- essential, which cover the broad skills for being a councillor, providing information on some of the basic principles of local government such as finance, and statutory issues around planning and licensing;
- internal knowledge, which provides information specific to Cherwell District Council;
- Committee skills, which are targeted at specific committees and roles;
- Portfolio Holder, which focus on the knowledge and skills required in these roles;
- engagement, which relate to members' responsibilities as community leaders;
- information, which refer to briefings on specific subjects as required.

In 2016/17 all of the categories were included in the Member Development programme. Sessions included planning training, licensing training, finance training, presentations and briefings by external partners on major issues affecting the district and projects underway in the district. A trip to Westminster was also arranged in conjunction with the Parliamentary Outreach Service where Members had the opportunity to meet MPs involved in Select Committees and attend a Select Committee evidence gathering session.

Training needs for all staff are discussed as part of the annual appraisal process, and all requests for training go through the Council's human resources team to monitor both cost and link to the Council's strategic priorities.

1.3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway and information about what consultations are planned. The Council undertakes a statistically representative annual satisfaction survey and has an annual budget consultation programme that underpins the service and financial planning process.

When procuring the corporate consultation programme, an evaluation criterion was set to ensure that the research contractors took steps to ensure harder to reach groups are not excluded. Steps taken include recruiting a balanced citizen's panel to ensure all sections of the community can participate in key pieces of corporate consultation.

In addition to the corporate consultation programme, the Council also holds a number of consultative forums including and in partnership with other local public sector agencies, forums including the Faith and Disability Forums.

We also hold formal annual parish liaison events which provide clear channels of communication and engagement with the parish councils.

In the main accountability and consultation is achieved using the following methods:

- Website
- Committee Management Information System (Modern Gov) (where the public reports are available for inspection).

- Corporate Improvement Programmes
- Medium Term Financial Strategy
- Annual Report and Summary of Accounts
- Statement of Accounts
- Budget Book
- Customer Satisfaction Surveys
- Press releases
- Cherwell Link
- Intranet
- Corporate Briefings
- Corporate Communications Strategy
- Performance Management Reports

1.3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. The Council's key strategic partnerships are included as part of the performance management framework and performance is reported quarterly. There is also a partnerships protocol.

The LSP is a key partnership for the Council, the role of Chairman is held by the Leader of the Council and there are clear terms of reference in place to cover membership, roles and responsibilities and the objectives of the partnership. The LSP Board provides the leadership and decision making body for the partnership that plans the work programme of the board and coordinates performance management and action planning. The Management Group is chaired by the LSP Board member with the role of performance champion.

To ensure the partnership listens to the wider views of the local community, it holds an annual conference which is open to all stakeholders and provides an annual report of its activity. Where appropriate the LSP sets up sub-committees to co-ordinate work programmes, examples include the Climate Change Partnership and the Brighter Future in Banbury Steering Group. Sub-partnerships have their own terms of reference, agreed by the LSP Board, and report back to the Board with performance and progress updates on a regular basis.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by relevant training and a process of annual review.

1.4 Review of Effectiveness of Governance

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Joint Management Team which has responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

1.5 The Authority's Assurance Framework

The review of the effectiveness of the system of internal control is underpinned by an Assurance Framework for internal control. The Framework is managed by the Corporate Governance Group, consisting of senior officers from a range of relevant disciplines, and

seeks to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from each of the Group members.

Officers responsible for corporate governance are in regular contact with each other to ensure all the relevant governance processes are in place and are robustly followed.

Within the framework, individual service managers are required to complete a management assurance statement each year, in which they confirm the arrangements that they are operating to maintain internal control, and how effective they believe them to be. These assessments are then analysed centrally by the group to provide a picture of any local weaknesses and to help identify any corporate themes that may not be remarkable in one service, but may assume greater significance when exhibited across a range of services.

There is a process, whereby significant issues raised within the framework can be escalated to Joint Management Team and/or the Executive. There have been no issues escalated during 2016/17.

1.6 The Constitutional Framework

1.6.1 The Executive

The Local Government Act 2000 and regulations made thereunder set out the functions which the Executive may perform. The Executive is not permitted to carry out any regulatory or staffing function. The Leader of the Council selects the Executive which is a maximum number of ten. 'Portfolios' are given by the Leader to the individual Members of the Executive.

1.6.2 Accounts, Audit and Risk Committee

To monitor the audit and risk management processes of the Council and ensure they comply with best practice and provide value for money. To approve the Council's statement of accounts and respond to any issues raised by internal audit or the external auditor.

1.6.3 Overview and Scrutiny

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. This work is delivered by the Overview and Scrutiny Committee which can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The role of scrutiny in following up recommendations: At every meeting of each scrutiny committee, there is a standard agenda item: 'Overview and Scrutiny Annual Work Programme'. This includes a follow up schedule for all previous scrutiny reviews. The committees normally review progress on the implementation of their recommendations at six month intervals, unless the nature of the review suggests a shorter or longer timescale is appropriate. The Lead Member and relevant Director and/or Service Head are asked to provide a written progress report and to attend the meeting to brief the committee. There were no call-ins during 2016/17.

Also part of the overall overview and scrutiny process is the Budget Planning Committee, further details of which are contained in section 1.3.4 above.

1.6.4 Standards Committee

The Localism Act 2011 required the Council to adopt new arrangements for ensuring the maintenance of high standards of councillor conduct, including a code of conduct which is consistent with the Nolan principles of good conduct in public life with effect from 1 July 2012. A new code was duly adopted and the Standards Committee was re-constituted so that its membership met the requirements of the 2011 Act. Two statutory independent persons were also appointed as part of the new arrangements. During 2016/17 there have been no complaints heard by the Committee.

The code adopted at Cherwell is consistent with that adopted by Oxfordshire County Council and all other principal authorities in the County. This has been done under the auspices of the Oxfordshire Monitoring Officers Group which meets six times a year and includes as a standing item on its agenda matters relating to standards issues. The vast majority of parish councils in the Cherwell district have also agreed to adopt the same version of the code. This means that, with limited exceptions, councillors throughout the Council's district are covered by the same code of conduct thereby ensuring consistency of approach.

As Monitoring Officer, the Head of Law and Governance continues to review the relevance and effectiveness of the constitution. This is particularly in the light of the shared Joint Management Team with South Northamptonshire Council. As mentioned in section 1.3.6 above three key sections of the constitution have been redrafted and joined with South Northamptonshire Council to reflect the shared joint management team namely the scheme of officer delegations, the Financial Procedure Rules and the Contract Procedure Rules. Having common schemes and procedures such as these significantly mitigates the risk of any Joint Management Team members applying an incorrect rule with resultant unlawful action on the Council's behalf. The scheme of officer delegation will be revised to match current post titles once phase 2 of the senior management restructure has been implemented

1.6.5 Chief Financial Officer

During the 2016/17 financial year, the Chief Finance Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

With the implementation of joint working arrangements the Chief Finance Officer was the Council's nominated section 151 Officer and the Head of Finance and Procurement was deputy S151 officer.

1.6.6 Internal Audit

The Council's Internal Audit Service Annual Plan is developed using a risk based approach, aligned to the Corporate Risk Register where possible to ensure current and emerging risks were adequately covered. Internal Audit Service reports provide an overall risk assessment on the adequacy and effectiveness of the Council's internal control environment, with areas of weakness identified and agreed actions for improvements.

Public Sector Internal Audit Standards (PSIAS) and CIPFA's Audit Code of Practice requires that the Head of Internal Audit provides a written report to the Accounts Audit and Risk Committee, timed to inform the organisation's Annual Governance Statement. The purpose of this report is to present Internal Audit's view on the adequacy and effectiveness of Cherwell District Council's system of governance, risk management and control.

The draft Annual Internal Audit Report is presented to the Accounts Audit and Risk Committee in June 2017, which details the reviews completed and the number of critical, high, medium and low risk items identified within each individual review. The full report is available on the Council's website through the June Accounts Audit and Risk Committee published committee papers.

There were three reviews that had an overall high risk rating that have been issued in 2016/17 that related to the Council's Business Continuity, Cyber Security and Programme Management arrangements. The following control weaknesses (individually critical or high risk items that are pervasive to the council as a whole) were identified that should be mentioned in the 2016/17 Annual Governance Statement, that have been considered further by the Council and have appropriate plans in place to address.

Cyber review

Technical security (high risk) - the Councils have limited ability to monitor, detect and prevent security incidents and weaknesses:

- There is no security incident and event monitoring tool to provide monitoring and alerting of security events across the Councils' systems and infrastructure;
- Firewall logs are monitored but it was noted that they do not provide a complete intrusion prevention or detection.

Business Continuity Review

Disaster recovery arrangements do not adequately protect the Councils (High risk):

- Inconsistent application of disaster recovery sites across both councils. Exercises have not been performed to evaluate and validate the efficiency of these services. Backups held at the data centres are logged and tested by the Service Desk team to ensure appropriate recovery can be made but there is no validation or assurance over these activities to ensure these checks have been regularly performed.
- Lack of formal schedule to conduct periodic recovery tests and exercises to ensure resiliency and availability of services. Scope should prioritise and include all critical applications, services and associated back-up recoveries.

The BCM programme does not protect the critical applications of the Councils (high risk):

- the last BIA exercise was performed more than three years ago, but no documentation is available, and departmental business continuity plans are likely to be outdated. JICT have created a Business Continuity Management System (BCMS) that complement the disaster recovery procedures maintained by the IT infrastructure team for IT services. The disaster recovery procedures document consists of procedures to recover services provided by critical IT applications shared by CDC and SNC as assessed by JICT. It is not informed by an analysis of the Council's critical services, and is unlikely to cover all applications or services deemed to be critical by the business. The Councils' current action plan to review and update BCPs is informal and does not include agreed milestones and action owners.

There was also a special investigation that internal audit conducted in 2016/17 at the request of the Council. This has been reported and action taken by the Council through its Joint Commissioning Committee.

1.6.7 Performance and Value for Money

Cherwell District Council

Progress in meeting targets for Performance Indicators is reviewed monthly by the Joint Management Team, and quarterly by Overview and Scrutiny and Executive as part of the Performance Management Framework. This ensures that senior managers know which targets are being met and that action is being taken where performance is not meeting targets. Financial performance is measured across a range of indicators that are reported quarterly to Overview and Scrutiny Committee and to the Executive. Budget monitoring is reported quarterly to Budget Planning Committee and to the Executive.

This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for the financial year 2016/17. The Council has a good system of internal control and action plans in place to address the issues highlighted in the internal audit report and seek to ensure continuous improvement of the systems is in place.

Ian Davies
Interim Chief Executive
30 June 2016

Cllr Barry Wood BSc ACMA
Leader of the Council
30 June 2016

Cherwell District Council

Accounts Audit and Risk Committee

28 June 2017

Housing Benefit and Council Tax Reduction Risk Based Verification Policy

Report of the Chief Finance Officer

This report is public

Purpose of report

To seek support from members of this Committee for the introduction of a Risk Based Verification Policy for new claims for Housing Benefit and Council Tax Reduction with effect from 28 June 2017 or from the date that the Benefits work is insourced from Capita and the Academy processing system is introduced whichever is the later.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.
- 1.2 To recommend to the section 151 officer the adoption of the Risk Based Verification Policy in determining the evidence requirements for the assessment of new Housing Benefit and Council Tax Reduction claims.

2.0 Introduction

- 2.1 Cherwell District Council administers more than £38 million in Housing Benefit and makes Council Tax Reduction payments of around £6.8 million each year to around 7,200 households in the district. Historically, the standards of verification applied by Councils to Housing Benefit claims have been governed by the Department for Work and Pensions (DWP) verification framework. This policy recommended that Councils should obtain substantial evidence before determining claims for benefit. Most councils adopted this framework to ensure that the correct amount of benefit was paid, that subsidy was maximised and that fraud and error was minimised. The verification framework has proved to be costly and there is little scope for local discretion.
- 2.2 Following a number of pilots the DWP now allows local authorities to carry out this verification using a risk based approach for claims. Circular S11/2011 confirms the requirements for local authorities that adopt Risk Based Verification (RBV) including adopting a RBV policy that has been approved by the Section 151 Officer and by

members of Accounts Audit and Risk Committee. The Policy must allow officers and external auditors to be clear about the levels of verification required. Circular G1/2016 gives updated advice on the evidence standards required. The policy must be reviewed annually but cannot be amended in-year as this would complicate the subsidy audit process. The DWP is also planning to adopt the RBV approach for administering claims for Universal Credit so, by introducing this now customers will be familiar with the process so easing them into the change to Universal Credit.

3.0 Report Details

Risk Based Verification

- 3.1 Risk Based verification is a method of applying different levels of checks to Housing Benefit and Council Tax Reduction new claims according to the risk associated with those claims. The aim is to reduce the burden on customers to provide excessive evidence and to enable low risk claims to be processed and put into payment more quickly. It will also reduce the cost of administering claims and allow the team to concentrate efforts on high risk cases where there is expected to be greater fraud and error. RBV also allows the council more flexibility to take into account national and local issues and to build in checks and balances. It may also help maintain the average time taken to process new claims for HB and CTRS within existing resources.

Application of RBV

- 3.2 The intention is to implement an IT solution to support the introduction of RBV provided that the appropriate approval is given by this Committee. The approach will be adopted for new claims. Any change of circumstance will follow separate standards. For the purposes of applying RBV, each claim is allocated a risk group. The risk category is applied via the Academy software system using a third party software supplier. The modeling performed by the software supplier has been scrutinised, tested and approved by DWP. Claims are assessed prior to payment and put into one of three categories – Low, Medium or High risk and this category will determine the evidence requirements.

Low Risk

The claimant's identity will be verified in accordance with sections 1(1a) and 1(1b) of the Social Security Administration Act 1992. The evidence required will be original documents to prove identity and National Insurance Number, photocopies or original evidence of self-employed earnings and student income and status. A valuation is also required for any other properties owned.

Medium Risk

Cases in this group must have the same checks as low risk plus copies (emails will be accepted as copies), scans, or original documentation to prove all declared income and capital. Please note: all evidence for identity must be original documentation.

High risk

All high risk cases must have the same checks as low and medium groups but the documentation must be original. In addition further checks will be carried out including a credit check via the National Anti-Fraud Network (NAFN).

- 3.3 It is anticipated that around 55% of all new claims will be deemed to be low risk and will normally be paid on the information provided by the claimant (subject to verification of identity on the first claim made). 25% are expected to be medium risk and will be subject to normal verification processes. 20% will be high risk and will be subject to much higher levels of verification including a credit check via National Anti-Fraud Network (NAFN).
- 3.4 To benefit fully from Risk Based Verification the process for receiving a new claim and checking data must be tailored to risk score the claim in the very early stages. To assist with this the intention is to introduce a new on-line claim form for Cherwell at the same time as RBV. The customer will then complete the application form on line and be accurately advised on the level of evidence required as they submit the claim. This request for information at the point of claim will make the process much easier for the customer who will not be asked to provide high levels of evidence. It will also help to speed up the time taken to assess new claims. Customers will be offered support in making their claim online and there will be the option of completing a hard copy form for any customers who do not wish to apply online.

Recording and monitoring of RBV

- 3.5 The software supplier will provide monthly management reports to show all risk scores allocated and how much fraud and error has been established in each risk group.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Risk Based Verification is a new approach to verifying new claims for Housing Benefit and Council Tax Reduction. There is a requirement that the Risk Based Verification Policy be approved by members of Accounts, Audit and Risk Committee.
- 4.2 Members are now requested to approve the Risk Based Verification Policy shown at Appendix 1 of this report.

5.0 Consultation

- 5.1 The policy has been drafted by the Joint Revenues and Benefits Manager and internal consultation has taken place with the Team Leaders and the Corporate Fraud Investigations Officer.

In accordance with DWP Circular S11/2011 the Section 151 Officer has agreed the Policy.

No formal consultation has taken place with members of the public, however, the change will be fully communicated and the policy will be on the website. Consultation has taken place with colleagues in Customer Services and Housing.

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: As RBV is a voluntary scheme the alternative would be to not adopt the scheme and for the verification procedure to remain “as is”. This has been rejected as it is anticipated that it will become increasingly difficult to meet service demands based on current resources if the verification requirements remain as substantial and costly.

7.0 Implications

Financial and Resource Implications

- 7.1 It is anticipated that the introduction of RBV will generate efficiencies through reduced verification procedures on low risk claims and by targeting resources on the high risk category claims. There will also be positive financial implications from the reduction of fraud and error.

Comments checked by:

Paul Sutton, Chief Finance Officer, 01295 221634

paul.sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 Although Risk Based Verification is a voluntary scheme there is a mandatory requirement, if it is adopted, to have a Risk Based Verification Policy detailing the risk profiles and the verification standards which will apply. This is stated in DWP Circular S11/2011 (Appendix 2). It should be noted that this policy will be the basis on which the Council is audited in the future and for this reason the policy must be agreed by the Council’s S151 Officer for adoption.

Comments checked by:

Kevin Lane, Head of Law and Governance 0300 0030107

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Equality Implications

Risk Based Verification Policy will apply to all new claims for Housing Benefit and Council Tax Reduction. The mathematical model used to determine the Risk Score does not take into account any of the protected characteristics within the Equalities Act. As such there should not be any equalities impact. However an equalities impact assessment will be carried out.

Comments checked by:

Paul Sutton, Chief Finance Officer, 01295 221634

paul.sutton@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priorities of a district of opportunity and sound budgets and a customer focused council

Lead Councillor

Councillor Tony Ilott Lead member for Financial Management

Document Information

Appendix No	Title
One	Risk based Verification Policy
Background Papers	
None	
Report Author	Belinda Green (Joint Revenues and Benefits Manager) and Mandy Emery (Team Leader Entitlements)
Contact Information	Belinda Green: 01327 322182 Belinda.green@cherwellandsouthnorthants.gov.uk

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Appendix 1

Cherwell District Council Risk Based Verification Policy

Background

Housing Benefit and Council Tax Reduction schemes nationally cost in the region of £25 billion per annum. Ensuring that the right help is awarded is crucial both to the customers and the taxpayers. Combating fraud and reducing error is a key component of this.

The Verification Framework Policy was introduced by the Department for Work and Pensions (DWP) as guidance, in line with the Social Security Administration Act 1992, for administering Housing and Council Tax Benefit claims. This policy recommended that local authorities should obtain substantial evidence before determining claims for benefit. Although voluntary it was adopted by most Councils (including Cherwell District Council) to ensure that the correct amount of benefit was paid, that subsidy was maximised and that fraud was minimised

In 2011, the Department for Work and Pensions (DWP) allowed a limited number of councils to pilot a scheme to try to reduce the cost of the verification process and, at the same time, reduce fraud and error based on risk based verification principles. It is an approach used by Job Centre Plus and will underpin Universal Credit as it rolls out.

The pilots were successful and the DWP have confirmed that Councils can now adopt this approach for Housing Benefit and Council Tax Reduction claims. This is summarised in circular S11/2011.

Cherwell District Council administers 7,200 claims for Housing Benefit and Council Tax Reduction. This Risk Based Verification policy has been developed to underpin a

regime of preventing fraud and error from entering the system whilst continuing with live caseload intervention.

The policy takes into account that Cherwell District Council must adhere to Housing Benefit and local Council Tax Reduction legislation. The regulations do not specify what information and evidence the Council should obtain from a customer. However, it does require an authority to have information which allows an accurate assessment of a claimant's entitlement, both when a claim is made and renewed because of a change in circumstances.

The Council's legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which states;

“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable.”

Risk Based Verification will be implemented from the 28th June 2017 or from the date that the Benefits work is insourced from Capita and the Academy processing system is introduced, whichever is the later

What is Risk Based Verification (RBV)

RBV is a method of applying different levels of checks to new claims for Housing Benefit and Council Tax Reduction dependent upon a complex risk profile given to each customer. The profile is determined by specific software using statistical information and experience about what type of claim represents what type of risk. The higher the risk, the greater the checks used to establish that the claim is genuine.

This approach allows the targeting of resources and is very effective in identifying higher levels of fraud and error, reducing the overall cost of verifying claims and improving processing times for some low risk claims.

In adopting RBV there is still an obligation to get all the facts and make an accurate assessment but there is not the need to gather documentary evidence in all cases.

Implementing Risk Based Verification at Cherwell District Council

Pursuant to DWP circular S11/2011 Cherwell District Council (hereafter referred to as 'the Council') will apply RBV to new claims for HB and CTR from the transfer of the work from Capita. This date will be confirmed by the Section 151 officer. The

Council will use an on line application form offered by Capita and a solution offered by Xantura to carry out the risk scoring. Customers may also apply on a hard copy form. The software will be integrated into the Academy Revenues and Benefits system to produce risk scores in real time.

Each new claim will be allocated a risk score – Low, Medium or High. The evidence requirements will differ based on the risk score assigned. The evidence requirements are contained at Appendix A of this policy. Circular S11/2011 confirms that local authorities have discretion to determine their own risk groups. Circular G1/2016 gives updated advice on the evidence standards required,

It should be noted that original documentation of a National Insurance Number and confirmation of identity must be provided in all cases regardless of the risk score, in order to comply with legislation. This verification is only required on the first claim and will not be requested again in support of any future claims.

Low Risk

The claimant's identity will be verified in accordance with sections 1(1a) and 1(1b) of the Social Security Administration Act 1992. The evidence required will be original documents to prove identity and National Insurance Number and photocopies or original evidence of self-employed earnings and student income and status. A LAREV1 is also required for any other properties.

Medium Risk

Cases in this group must have the same checks as low risk plus copies, scans or original documentation to prove all declared income and capital. Please note: all evidence for identity must be original documentation.

High Risk

All high risk cases must have the same checks as low and medium groups but the documentation must be original. In addition further checks will be carried out including a credit check via the National Anti-Fraud Network (NAFN)

Monitoring RBV

DWP suggest that around 55% of cases will be low risk, 25% medium risk and 20% high risk. The likelihood of fraud and error being present is estimated to be around 3% for low risk, 11% for medium risk and 27% for high risk cases.

Once a risk group has been allocated, individual claims cannot be downgraded by an officer to a lower risk group. They can, however, be upgraded to a higher risk group

with approval from a Senior Officer or a Team leader, if the officer has good reason to think this is appropriate. All cases which are upgraded will be recorded along with the reason for doing so.

All risk scores are recorded by the RBV software and will show on the customer's account within the Academy system. This will enable the Auditors to check the level of verification needed to support the assessment of each claim type for the purposes of subsidy so protecting the Council from financial risk.

Failure to apply the verification standards as stipulated in the RBV policy may have an impact on the subsidy claimed and could result in a loss of revenue for the council.

As suggested by the DWP there will be a robust baseline against which to record the impact of RBV. The figures derived from cells 222 and 231 of the Single Housing Benefit Extract will constitute the baseline of fraud and error currently identified by the Council. The baseline figure for the Council will be confirmed once the Academy system has been introduced but is expected to be around 2.4%. Following the introduction of RBV, the level of fraud and error identified is expected to increase as the resources are focussed on the high risk group cases.

Xantura record all risk score requests and an audit log of requests is generated which the Council will use to ensure that the new claims process is being followed and reduced verification applied. There will be a blind sample of cases by Xantura where the risk group will be adjusted and level of verification applied will be checked.

Capita will provide monthly reports detailing the percentage of cases falling into each risk group, the fraud and error identified in each risk group and the level of fraud and error detected in the sample of blind cases.

Review of the policy

The RBV policy will be reviewed annually and any changes will be referred to the members of Accounts Audit and Risk Committee for approval. In accordance with DWP guidance changes will not be made in-year as this would complicate the audit process.

Training and awareness

Training will be provided to all staff within the Entitlements team on the use of RBV, including refresher training and training for new entrants. This will ensure that the processes and procedures are agreed and understood. Discussions will take place with all internal stakeholders such as Customer Services and Housing.

Business Continuity

The Capita RBV solution is web-based and the ability to obtain a risk group in real time is dependent on an internet connection. In the event of the officers being unable

to generate a risk score for any claim, the claim will be treated as medium risk and the appropriate level of verification will be applied.

Audit requirements

External audit have been consulted on the implementation of RBV and on this policy. Auditors will carry out their duties against the terms of the RBV policy and, provided cases have been assessed correctly against the requirements of the policy, this shall meet audit requirements.

Policy approval

This Policy has been produced in line with Department for Work and Pensions guidance on the use of Risk-Based Verification as detailed in HB/CTS circular S11/2011 and G1/2016.

This policy is approved by:

Account Audit and Risk Committee

Date:09.06.2017

Chief Finance Officer (Section 151 Officer)

Name: Paul Sutton

Signed

A handwritten signature in black ink, appearing to be 'PS', with a long horizontal line extending to the right.

Cherwell District Council RBV Evidence Checklist

Evidence Type	Subcategory	Low Risk	Medium Risk	High Risk
Identity & NINO		> Originals. CIS Check where identity has been verified for a qualifying benefit	> Originals, CIS Check where identity has been verified for a qualifying benefit	> Originals Required, CIS Check
Residency & Rent	> Private Tenants		> Originals or Photocopies;	> Originals Required
	> Social Landlords		> Originals or Photocopies;	> Originals Required
	> Registered		> Originals, Photocopies or electronic file from Social Landlord	> Originals Required
Household	> Partner's ID/ NINO	> Originals or CIS check where identity has been verified for a qualifying benefit	> Originals or Photocopies CIS check	> Originals Required, CIS check
	> Dependents		> Originals or Photocopies CIS check	> Originals Required, CIS check
	> Non-Dependent Working		> Originals or Photocopies or RTI file	> Originals Required or RTI file
	> Non-Dependent (PB) Non Dependent no income	>	> CIS Check P45 or statement	> CIS Check P45 or statement
	> Non-Dependent Student	>	> Originals or Photocopies	> Originals Required
	> Non-Dependent Not Working			> Originals Required
	> 2AR: Non-Dependents Not Working			> Originals Required
Income	> State Benefits	>	> CIS Check	> CIS Check
	> Earnings, SSP, SMP & SPP	>	> Originals, Photocopies or Cert of Earnings or RTI file	> Originals Required or RTI file
	> Self Employed	> SEE Pro-Forma	> Originals, Photocopies, SEE form or audited accounts	> Originals Required – Receipts and Invoices
Child Care Costs			> Originals or Photocopies	> Originals Required

Cherwell District Council RBV Evidence Checklist

Students	>	(Income + Status Required)	>	Photocopies	>	Originals or Photocopies	>	Originals Required
Capital	>	Working Age						
	>	Working Age & > £6,000			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Elderly						
	>	Elderly & > £10,000			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Property	>	LAREV1	>	Originals, Photocopies or LAREV1	>	Originals Required and LAREV1

Cases in High Risk Group will also be subject to a credit check via NAFN within one month of the date of the claim unless the claim has ended prior to the check being conducted.

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Cherwell District Council

Accounts, Audit and Risk Committee

28 June 2017

KPMG NNDR Audit Follow-up

Report of the Chief Finance Officer

This report is public

Purpose of report

The purpose of this report is to inform members of the findings of the KPMG follow-up review of their NNDR report.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended:

- 1.1 To note the report.

2.0 Introduction

- 2.1 During preparation of Cherwell District Council's 2014/15 Statement of Accounts an overpayment to Central Government of £1.5m relating to National Non-Domestic Rates was identified.
- 2.2 KPMG were asked to report on the circumstances giving rise to the overpayment, they produced a report in January 2016 setting out 16 recommendations. Attached at Appendix 1 is a follow-up report which looks at the implementation of those recommendations.

3.0 Report Details

- 3.1 The follow-up report concludes that the Council has made substantial progress in implementing the recommendations of the January 2016 report. In particular the follow-up reports that stronger arrangements had been established for determining the final NNDR position for the year and for approving the annual accounts.
- 3.2 KPMG recommend that the Council should ensure that the progress continues and that the strengthened arrangements referred to above should be embedded in the year-end processes for 2016/17 and beyond.

3.3 KPMG note that 14 of the 16 recommendations of their original report have been fully addressed and highlight two areas in which the Council has made progress in making improvements but where it needs to continue to focus its attention:

3.3.1 Maintaining a strong Finance Team where there is a need to:

- a. substantively appoint to vacant posts.
- b. develop technical skills within the Finance Team.
- c. ensure that the CIVICA Financials system includes effective and reliable reconciliation, control and reporting arrangements.

3.3.2 Developing an effective Accounts, Audit and Risk Committee where there is currently no:

- a. formal training programme for Committee members.
- b. self review process for the Committee in place.
- c. Annual Report on the Committee's activities to Council.

4.0 Conclusion and Reasons for Recommendations

4.1 The Audit Committee is recommended to note the progress in addressing the findings of the KPMG NNDR report.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The committee is asked to note the report, members can ask for additional information as an alternative to noting the report.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Sanjay Sharma, Interim Head of Finance, 01295 221564

sanjay.sharma@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 and Governance, 0300 0030107
Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Implications

7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by:

Louise Tustian, Team Leader – Strategic Intelligence and Insight, 01295 221605
louise.tustian@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

8.0 Decision Information

Wards Affected

None

Links to Corporate Plan and Policy Framework

None

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	KPMG NNDR Audit Follow-up Report
Background papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	Paul.Sutton@Cherwellandsouthnorthants.gov.uk 0300 003 0106

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NNDR Overpayment - Follow up

KPMG

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Cherwell District Council

April 2017



Contacts

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Status of Report	
Draft Report issued	21 April 2017
Final Report issued	25 April 2017
Distribution	Paul Sutton – Chief Finance Officer



Executive Summary

Executive Summary

Background

National Non-Domestic Rates (NNDR) represent a major source of income for most local authorities. Cherwell District Council (the Council) received approximately 35% of its annual revenue income during 2015/16 from NNDR and £6.1m of NNDR was used to support the Councils Net Expenditure requirements. During the production and audit of the 2014/15 draft Annual Accounts it emerged that the council had overpaid £1.5m of NNDR to Central Government. KPMG was engaged by the Council in October 2015 to undertake an independent appraisal of the circumstances surrounding the overpayment and the subsequent series of events leading to the delay in approving the Council's 2014/15 accounts.

We identified in our January 2016 report a number of issues for the Council to consider. The Chief Finance Officer has submitted regular progress reports to the Accounts, Audit and Risk Committee on the actions taken in response to the 16 recommendations made in the original report.

KPMG was engaged in March 2017 to carry out this follow-up review of our January 2016 report and, amongst other things, to confirm the actions reported by the Chief Finance Officer are consistent with the recommendations made in our original report and are supported by underlying evidence.

Summary findings and conclusions

Overall we found that the Council has made substantial progress in relation to the recommendations made in our January 2016 report, and stronger arrangements had been established for:

- Determining the final NNDR position for the year; and
- Approving the Annual Accounts.

The Council should ensure this improvement continues and embed the strengthened arrangements for the 2016/17 and future year-end and annual accounts processes.

We identified two areas for improvement highlighted in our January 2016 report where the Council has made progress but needs to continue to focus its attention:

- Maintaining a strong Finance team – the team has made steady progress in many areas including substantively appointing to the Chief Finance Officer post, clarifying responsibilities within the team, and improvements to communication and working relationships with the external auditor. There are still though improvements required, including substantively appointing to vacant posts, developing technical skills within the team and ensuring the CIVCA Financials system includes effective and reliable reconciliation, control and reporting arrangements. The Accounts, Audit and Risk Committee has an important role in overseeing these improvements and should continue to receive specific updates on progress made.
- Developing an effective Accounts, Audit and Risk Committee - there is no formal training programme for Committee members or self-review process in place. The Committee needs to take steps to ensure it has sufficient understanding of its responsibilities and how well it is carrying them out, and the knowledge and skills to be able to provide the challenge and scrutiny required.

We provide further detail on our findings and conclusions in the main report and we have included at Appendix 1 a summary our findings and the status of the original recommendations.

Acknowledgement

We are grateful for the help and support provided by officers and Members during the course of this review.



Main Report

Main Report

Background

National Non-Domestic Rates (NNDR) represent a major source of income for most local authorities. The total amount of NNDR due (less certain reliefs and deductions) is collected by the Billing Authority (Cherwell District Council) and a certain amount of the income collected is retained by the Council and the remainder paid over to Central Government and Oxfordshire County Council. Cherwell District Council (the Council) received approximately 35% of its annual revenue income during 2015/16 from NNDR and £6.1m of NNDR was used to support the Councils Net Expenditure requirements. The Council participates in a local “pooling arrangement” with Oxfordshire County Council and West Oxfordshire District Council to minimise the levy payment to Central Government.

The calculation of reliefs and deductions applied to the calculation of NNDR is a complex and often fluid area that can evolve and change from year to year and also within year. During the course of the audit of the Council’s 2014/15 Financial Statements it became apparent to senior officers at the Council that a required 2011/12 accounting adjustment had not been made and the Council had over-paid Central Government’s share of NNDR by £1.5m. The Council included a debtor in its financial statements for the £1.5m it believed it was due. The Council’s external auditors, Ernst & Young (EY) asked the Council to revisit whether the debtor should be written-off because of its age and lack of sufficient evidence to support the likelihood of collection. The Accounts, Audit and Risk Committee (the Committee) held on 23 September 2015 decided to defer the approval of Financial Statements until the dispute over the accounting treatment of this debtor was resolved between the Council’s s151 Officer and the external auditors. The Committee approved the Financial Statements on 9 October 2015 and the audit opinion was issued on 19 October 2015.

KPMG was engaged by the Council in October 2015 to undertake an independent appraisal of the circumstances surrounding a £1.5m overpayment of NNDR to Central Government and the subsequent series of events leading to the delay in approving the Council’s accounts. Specifically, we were engaged to address four issues:

- To establish how the overpayment of £1.5m to DCLG was allowed to occur and why this was not reclaimed;
- To review reports from the internal and external auditors to assess if the issue of overpayment had been identified;
- In light of the above to consider the adequacy of the Council’s internal control framework and systems and to propose steps that can be taken by the authority to put in place measures to ensure that a similar situation is prevented; and
- To consider the events surrounding approval of the Statement of Accounts and Letter of Representation for the financial year 2014/15 on 9 October 2015.

We identified a number of issues for the Council to consider. The two main areas for improvement were in relation to the Council’s arrangements for:

- determining the final NNDR position for the year; and
- approving its annual accounts.

Our report included 16 recommendations regarding the adequacy of the controls in place and the ownership and communication of those involved in the process.

The Chief Finance Officer has submitted regular progress reports to the Committee on the actions taken in response to recommendations made in the original report, with the most recent formal report submitted to the Committee’s 6 December 2016 meeting. At this meeting the Committee resolved that KPMG would be asked to carry out a follow up review of progress made in relation to the matters included in our January 2016 report.

Main Report (Cont.)

Scope and approach

This review has been carried out in accordance with the Letter of Engagement dated 27 March 2017. Our work has included:

- A desk-top review of the Chief Finance Officer's December 2016 Progress Report to the Committee to confirm the actions taken are consistent with the recommendations made in our January 2016 report and are supported by underlying evidence;
- An on-site review of the implementation of recommended changes to controls and systems; and
- On-site interviews with key officers and members to clarify any questions arising from the desk-top review. Our interviewees have included the Chief Finance Officer, relevant members of the finance team and the outgoing Chairman to the Committee.

We have included at Appendix 1 a progress update summarising our findings and the status of the original recommendations.

Summary of Findings and Conclusions

The Council has made substantial progress in relation to the recommendations made in our January 2016 report. Specific improvements identified at Appendix 1 which supported the 2015/16 year-end and annual accounts process include:

Determining the final NNDR position for the year

- Improved arrangements for the reconciliation of the business rates system, the general ledger and the year end NNDR3. This has included strengthening and standardising the approach to carrying out these systems reconciliations.
- Specific testing by Internal Audit and other reasonableness checks on the NNDR3 return prior to it being signed by the CFO.
- Introducing a procedure for the Council's debt recovery team to have oversight over debtor journals and their status.
- Strengthening the approach to internal review and quality assurance of the draft financial statements and supporting working papers.

Approving the Annual Accounts

- Clarifying the roles and responsibilities of officers, the external auditor and the Committee regarding the accounts production, audit and approval. This has included briefings for the Committee on the relevant regulations and statutory requirements.
- The Committee being supported in its role by the attendance of the Chief Finance Officer and when appropriate the Monitoring Officer.
- General improvements in the communication between and working relationships of officers, the external auditor and the Committee.

The Council has taken steps to seek recovery of the £1.5m overpayment to Central Government but, having obtained legal and accounting advice, wrote the debtor off in 2015/16. This approach was agreed with EY and fully reported to the 21 September 2016 Committee when the audited financial statements were approved.

The Council needs to ensure these improvements are maintained and the strengthened arrangements embedded for the 2016/17 and future year-end and annual accounts processes.

Main Report (Cont.)

Continuing areas for Improvement

There are two areas for improvement highlighted in our January 2016 report where the Council has made progress but needs to continue to focus its attention.

Maintaining a strong Finance team

Our January 2016 report and the Chief Finance Officer's action plan response highlighted concerns which included the Finance Team's capacity, range and depth of skills available and weaknesses in communication within the team, with senior managers and the external audit team.

The management response and Chief Finance Officer's update at Appendix 1 describes some of the key actions which have been taken to help address these concerns, which include:

- The management restructure and substantive appointment to the Chief Finance Officer post, clarifying responsibilities within the team and steady improvements to communication.
- Engaging consultancy support to meet shortfalls in capacity or specialist knowledge/skills.
- Improved communication with the external audit team and co-ordination of the planned audit work.
- Strengthening the Finance Team's technical skill base in areas such as capital accounting.

Reviewing the accounts closedown procedures, establishing quality assurance review arrangements and preparing for the early closedown requirements from 2017/18 onwards.

The Chief Finance Officer's update and our findings at Appendix 1 acknowledge though that as well as consolidating the progress already made there are still improvements required, including:

- Substantively appointing to the remaining vacant posts within the team and ensuring the team has sufficient and relevant in-house technical skills to support the Council's current and emerging needs.
- Resolving the remaining issues with the recently introduced CIVICA Financials system and ensuring there are effective and reliable reconciliation, control and reporting arrangements in place.

The Committee has important role in overseeing these improvements and should continue to receive specific updates on the progress the Finance Team is making in relation to its improvement priorities.

Main Report (Cont.)

Developing an effective Accounts, Audit and Risk Committee

One of the themes from our January 2016 report was the importance of having an effective Committee in place to carry out its delegated responsibilities in relation to the annual Accounts review and approval.

The Committee has benefited in the year from specific briefing/training in the role and responsibilities of the external auditor and current and emerging issues relating to the Annual Accounts. The Committee has also received a briefing on the Accounts and Audit Regulations and the statutory accounts reporting framework. This training was well received by the Members that attended and improved their knowledge and confidence in these areas. However, although there is no record of who attended we understand only a few of the 8 Committee members took part in the training. Overall the levels of recorded attendance by Committee members at formal meetings is good with substitute members only occasionally being required during 2016/17 to cover for absences.

The Committee's Terms of Reference cover a broad range of responsibilities relating to governance, risk and internal control. The Committee needs to be confident it has sufficient understanding of these areas and the skills to be able to provide the challenge and scrutiny required. There is currently no framework for the Committee to assure itself that this is the case. For example, there is no formal training programme for Committee members or self-review process in place. The Committee has a work programme, which is reviewed at each meeting, but the Committee does not routinely assess how well it is performing, whether its Terms of Reference are appropriate or whether it is meeting these requirements. The Committee's Terms of Reference do require it to produce an Annual Report on its activities to the Council but this is not being done, with the last report made in July 2014.

The Committee needs to take steps to ensure it has sufficient understanding of its responsibilities and how well it is carrying them out, and the knowledge and skills to be able to provide the challenge and scrutiny required.

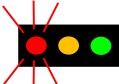
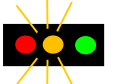



Appendices

Appendix 1 – Progress update

Approach

We raised sixteen recommendations in our January 2016 report, all of which were agreed by the Council's management. We gave each of our observations a risk rating (as explained below).

Priority rating for recommendations raised		
Priority one	Priority two	Priority three
 <p>A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that any of Council's strategic risks will occur. Any recommendations in this category would require immediate attention.</p>	 <p>A potentially significant or medium level weakness in the system or process which could put the Council at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring, if not addressed.</p>	 <p>Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.</p>

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On the following pages we have included tables showing:

- Our January 2016 report's recommendations and the Council's management response;
- Management's latest 'RAG rated' update on progress, to the 6 December 2016 Accounts, Audit and Risk Committee;
- Our assessment at April 2017 of the progress made in relation to the issues we identified and the recommendations we made in our January 2016 report.

The status of the recommendations is summarised in the table below. The two actions which are 'in progress' are described in greater detail in the main body of this report.

	Priority One	Priority Two	Priority Three	Total
Recommendations raised (January 2016)	6	9	1	16
Implemented (April 2017)	6	7	1	14
In progress (April 2017)	-	2	-	2

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
1	<p>Ensure that NNDR3 returns are reconciled to the underlying tax base for business rates and sense check the NNDR related debtors disclosed in the accounts.</p> <p>Priority: (High) ●</p>	<p><u>Action Agreed</u></p> <p>This will take place as part of the closedown process for 2015-16 and will demonstrate that the business rates system, reconciles with the general ledger and that in turn the NNDR3 return. This reconciliation will form part of the NNDR3 sign off process. The standing operating procedures will be updated accordingly.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – 31/5/2016</p>	<p><u>Action taken</u></p> <p>The business rates system has been reconciled with the General Ledger for 2015/16 and the NNDR3 return completed in accordance with the General Ledger. The NNDR3 has been signed and returned by the Chief Finance Officer.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the necessary reconciliations were carried out as part of the 2015/16 closedown and evidence of their completion, together with reasonableness checks on the NNDR related debtor, was provided before the 2015/16 NNDR3 return was signed off.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>2</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 188</p>	<p>Consider how and to what extent the Council obtains assurance over the completeness and accuracy of the annual NNDR3 return. Initiate the remedial action to provide the appropriate assurance where necessary.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>Voluntary assurance will be reinstated, following the completion of the action relating to recommendation 1, Price Waterhouse Coopers (PwC), the Council's internal auditors, will be requested to carry out checks to ensure that the NNDR 3 completion is accurate and reconciles with the Business Rates system and the general ledger. These checks will be part of the assurance process presented to the Chief Finance Officer prior to sign off of the NNDR3 return.</p> <p><u>Responsibility and timescale</u></p> <p>PwC – 31/5/2016</p>	<p><u>Action taken</u></p> <p>The audit has been completed with no issues arising.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the expected checks were completed before the 2015/16 NNDR3 return was signed. PwC were engaged to carry out a range of agreed upon procedures regarding the completeness and accuracy of the return and their report confirmed this to be the case.</p> <p>The Council has received positive assurance received from this and other reviews of the underlying reconciliations, and it has made improvements to the year-end procedures. If Officers and the Committee are confident that these improvements to controls are sustainable then it would be reasonable for the Council to consider whether this assurance exercise needs to be repeated.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">3</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 189</p>	<p>Investigate the reasons how an accounting debtor can be raised in the ledger without initiating some form of debt recovery action and implement remedial controls where necessary.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>This will form part of a review to be undertaken by the Chief Finance Officer. It will look back at all of the issues surrounding the overpayment to ensure that the same mistakes are not made again. It will in part be informed by the work currently being undertaken by Price Waterhouse Coopers, which will address the internal controls, which are there to stop such a mistake being made again. The review will report back to the Accounts, Audit and Risk Committee at CDC and the Audit Committee at SNC.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – 31/5/2016</p>	<p><u>Action taken</u></p> <p>The PwC Audit has now been completed, which resulted in 3 low risk recommendations all of which have been accepted and implemented.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have reviewed the report issued by PwC which the Council commissioned in response to this recommendation. The findings from the review were reported to the Audit, Accounts and Risk Committee in September 2016. The report's recommendations are designed to introduce a procedure for the Council's debt recovery team to have oversight over debtor journals. This should ensure any delays in payment are highlighted and acted upon through the established Council processes.</p> <p>PwC's recommendation has been accepted by Management and we have been informed that it has been implemented. There are normally few in-year debtor journals and the change in process will mainly come into effect during the 2016/17 year-end closedown so it is too early to evaluate its implementation. If implemented as intended though it should address the concerns raised in the KPMG recommendation.</p> <p>PwC's report made two further recommendations relating to:</p> <ul style="list-style-type: none"> the arrangements for ensuring the finance team is up to date regarding changes in the NNDR3 legislation and regulations; and the Committee's annual review of balance sheet debtors and the bad debts provision. <p>Both of these recommendations have been accepted by Management and we have been informed they have been implemented. If implemented as intended these recommendations should strengthen existing controls.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>4</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 190</p>	<p>Review all significant debtors within the ledger to identify whether there are any other instances of un-invoiced debts and ensure that all significant debts can be matched with an appropriate recovery process.</p> <p>Priority: (High) ●</p>	<p><u>Action Agreed</u></p> <p>A list of significant debtors will be produced and reviewed by the Chief Finance Officer as part of the 2015-16 closedown process any issues will be reported the Accounts, Audit and Risk Committee at CDC and the Audit Committee at SNC.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – 31/5/2016</p>	<p><u>Action taken</u></p> <p>I have received and reviewed the list of significant debtors and there are no issues to report.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the expected reviews were carried out by managers as part of the 2015/16 closedown and in preparing the financial statements. We have confirmed, through the EY Results Report that no material omitted or doubtful debts had been identified.</p> <p>We have confirmed with Management that there are plans in place for a similar review of significant debtors as part of the 2016/17 accounts closedown and production process.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>5</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 191</p>	<p>Assess the current suite of financial reconciliations to ensure that all key risk areas are mitigated appropriately and review the quality of reconciliations to ensure that they are timely, complete, accurate and that staff undertaking the reconciliations take prompt and appropriate action to address balancing/reconciling items effectively.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>Price Waterhouse Coopers have been commissioned to carry out this piece of work and to make recommendations to the Chief Finance Officer and Accounts, Audit and Risk Committee at CDC and the Audit Committee at SNC.</p> <p><u>Responsibility and timescale</u></p> <p>PwC – 31/5/2016</p>	<p><u>Action taken</u></p> <p>The PwC Audit has now been completed, which resulted in 3 low risk recommendations all of which have been accepted and the majority have been implemented.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that PwC have completed the commissioned work as part of their 2015/16 audit plan. PwC confirmed that reconciliations are being performed across all key areas (including those for NNDR) and staff have understanding of the reconciliations being performed. PwC's recommendations were designed to strengthen and standardise the Council's approach to these reconciliations, including:</p> <ul style="list-style-type: none"> clarifying the expected frequency of the reconciliations' completion and review; and the actions required in respect of any unreconciled or unexpected items. <p>Management has accepted PwC's recommendations and we have been informed that they have been implemented. PwC have not yet reported on their follow up of their recommendation to confirm that the expected improvements have been made and the new controls are operating as intended.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>6</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 192</p>	<p>Undertake a robust Quality Assurance review of the financial statements prior to submission for audit to identify potential errors and challenge unusual or unexpected items. Such a review should be undertaken by a senior officer independent of the team preparing the accounts as well as the s151 Officer.</p> <p>Priority: (High) ●</p>	<p><u>Action Agreed</u></p> <p>Once the accounts, working papers and analytical review have been prepared by finance officers Price Waterhouse Coopers will be asked to review them prior to consideration by the Chief Finance Officer. A senior manager from outside of Finance will then be asked to undertake a further independent review the accounts. The review should take place for the accounts once certified by the Chief Finance Officer by the end of June and for the audited accounts approval in September.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – 15/6/2016 and 10/9/2016</p>	<p><u>Action taken</u></p> <p>The Accounts were signed off in accordance with the recommendation. At the point of writing there are no major issues to report on the Accounts. This will be addressed in the External Auditors Audit Results report at the Committee.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed with Management that the 2015/16 draft financial statements and supporting working papers were subject to Quality Assurance procedures prior to the start of the audit.</p> <p>EY's Audit Results Report 2015/16 and Annual Audit Letter 2015/16 do not include any concerns regarding the quality of the draft financial statements or the supporting working papers.</p> <p>We have confirmed with Management that there are plans in place for a similar Quality Assurance as part of the 2016/17 accounts closedown and production process.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management’s update (December 2016)	KPMG update April 2017
<p>7</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 193</p>	<p>Take action to:</p> <ul style="list-style-type: none"> Promote and develop ownership and accountability within the Finance Team to empower members of the team to take appropriate corrective action for identified issues; Ensure appropriate communication channels exist and are used effectively and appropriately by members of the Finance Team to brief senior members of the team on significant and key accounting issues; Develop the confidence of the Finance Team so that significant issues can be raised and addressed on a timely basis; and Provide stability, capacity and capability within the team by seeking to make substantive appointments to vacant posts and reducing reliance on “acting up”, temporary, interim and agency appointments. <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>The management restructure has brought the Chief Finance Officer (Section 151) closer to the team and this should improve the leadership and management of the Corporate Finance Team. The recent restructure of the team has been largely successful however we haven’t been able to recruit to some key posts. This will be a key focus for the Chief Finance Officer With the closedown process soon to commence we have brought in a closedown specialist to ensure that we have the relevant expertise, experience and capacity in place.</p> <p>The costs can be met from savings from existing vacant posts. Closedown meetings are held regularly through the period both with External Audit and the team. In future the Chief Finance Officer will be present at these meetings. The Council have been liaising with its external auditor Ernst & Young. It has agreed revisions to the audit team, which will help significantly with the confidence of the Finance Team both in the closedown period and the audit period to the end of September. It is important that the Finance and Improvement Plan acts as a "live" document with a review mechanism built in for each of the areas, which can be reported by the Chief Finance Officer to the Accounts, Audit and Risk Committee at CDC and the Audit Committee at SNC.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – 31/5/2016</p>	<p><u>Action taken</u></p> <p>The recruitment to key posts remains difficult, the post of Corporate Finance Manager is covered temporarily until February and we are working to ensure this and a Group Accountant post are filled quickly thereafter.</p> <p>The use of a closedown specialist has been extremely helpful in raising and addressing key issues around closedown. These have largely been around assets and valuations but also in identifying and addressing two post balance sheet events.</p> <p>The EY team were put in place prior to the start of the Audit. There was an increase in the significant risks from the audit plan, which has meant that more work has been required from both sides. This has been managed and at the time of writing it is expected that the Accounts can be approved with only non-material issues outstanding.</p> <p><u>Current status</u></p> <p>In progress</p>	<p><u>Findings</u></p> <p>We have confirmed there have been improvements in relation to the areas of concern, including:</p> <ul style="list-style-type: none"> The management restructure and substantive appointment to the Chief Finance Officer post, clarifying responsibilities within the team and steady improvements to communication within the team. Engaging consultancy support to meet shortfalls in capacity or specialist knowledge/skills. The appointment of a long term interim manager to fill the vacant Corporate Finance Manager post. Although this is not a permanent solution it does provide some continuity and stability during the 2016/17 year-end and helps the team address its immediate priorities. Improved communication with the external audit team and co-ordination of the planned audit work. We are told the working relationships are constructive and improved. Strengthening the Finance Team’s technical skill base in areas such as capital accounting. Reviewing the accounts closedown procedures, establishing quality assurance review arrangements and preparing for the early closedown requirements from 2017/18 onwards. <p>The former Chairman to the AA&R Committee informed us that the Committee’s increased awareness of the members of the Finance Team, their roles and the work carried out has improved the Committee’s confidence in the Team. .</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management’s update December 2016	KPMG update April 2017
<p>7</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 194</p>				<p><u>Findings (continued)</u></p> <p>As well as consolidating the progress already made there are still improvements required, including:</p> <ul style="list-style-type: none"> • Substantively appointing to the remaining vacant posts within the team and ensuring the team has sufficient and relevant in-house technical skills to support the Council's current and emerging needs. • Resolving the remaining issues with the recently introduced CIVICA Financials system and ensuring there are effective and reliable reconciliation, control and reporting arrangements in place. 2016/17 will be the first year CIVICA has been used to produced the Annual Accounts. <p><u>Conclusion</u></p> <p>The Council has made progress but is still addressing the issues covered by this recommendation.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>8</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 195</p>	<p>The s151 Officer should liaise with the external audit Engagement Lead prior to all Accounts, Audit and Risk Committee meetings to understand the nature and emphasis the auditor will place on their presentation of audit reports in the meeting and to prepare an appropriate response.</p> <p><i>Priority: (High) ●</i></p>	<p><u>Action Agreed</u></p> <p>Arrangements have already been made to ensure that this takes place for all future meetings as confirmed in Ernst & Youngs letter to the Council dated 11 February 2016.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – immediately</p>	<p><u>Action taken</u></p> <p>Neil Harris attended the Committee's informal briefing on 14/09/2016.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have reviewed correspondence between the Council and EY (including EY's 11/2/2016 letter to the Chief Executive, which was considered by the AA&R Committee at its March 2016 meeting) which confirms:</p> <ul style="list-style-type: none"> - this recommendation has been raised with EY; and - the steps EY planned to take in to ensure officers and the Committee were kept informed on emerging audit issues. <p>The EY 11/2/2016 letter also makes the offer of a pre-committee briefing on, amongst other things, the external auditor's role and responsibilities. The briefing was provided by the EY Executive Director to the AA&R Committee in September 2016, ahead of the Committee consideration of the audited financial statements and EY's ISA260 report. The briefing included an update on emerging issues relating to the 2015/16 accounts opinion and VFM conclusion.</p> <p>Our interviews with the Chief Finance Officer and the now former Chairman to the AA&R Committee indicated that they were satisfied with the working relationships established with EY and that they were being kept appropriately informed.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>9</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 196</p>	<p>The s151 Officer and Monitoring Officer should lead the engagement with DCLG in respect of a recovering the outstanding debt and the Council should take independent legal advice in respect of this issue.</p> <p>Priority: (High) ●</p>	<p><u>Action Agreed</u></p> <p>Legal advice is currently being sought. Discussions will re-commence with the DCLG once this has been received and if appropriate.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – immediately</p>	<p><u>Action taken</u></p> <p>We have written to DCLG and requested that they reconsider their position regarding the debt. On 17 June a further chase was made and a response was received from DCLG that "We are still considering our position and will let you have a reply shortly." We have still not received a response.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have seen the Council's letters to DCLG on this matter, and DCLG's response of 19 July 2016 which states "...having considered the matter, we do not consider your authority has a restitutionary claim against the Secretary of State".</p> <p>In accordance with the legal and accounting advice obtained the Council wrote off the £1.5m NNDR debtor in 2015/16. This approach was agreed with EY and fully reported to the 21 September 2016 AA&R Committee when the audited financial statements were approved.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>
	<p>10</p> <p>The s151 Officer should attend all Accounts, Audit and Risk Committee meetings.</p> <p>Priority: (High) ●</p>	<p><u>Action Agreed</u></p> <p>This will be implemented with immediate effect.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – immediately</p>	<p><u>Action taken</u></p> <p>The Chief Finance Officer has attended all of the Committee's meetings</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the Chief Finance Officer has attended all of the AA&R Committee meetings and intends to continue to do so. This is consistent with good practice.</p> <p>The former Chairman to the AA&R Committee informed us that the Chief Finance Officer's regular attendance was an important factor in the Committee being able to carry out its role effectively.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>11</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 197</p>	<p>Consider whether the Monitoring Officer or other representation of the Council's legal department should be present at Accounts, Audit and Risk Committee meetings.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>It is not felt to be appropriate to have legal representation at every Accounts, Audit and Risk committee. Until the appointment of a permanent S151 officer the deputy monitoring officer will attend meetings. Upon appointment of the permanent S151 officer this arrangement will be reviewed.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Executive – immediately</p>	<p><u>Action taken</u></p> <p>I have liaised with the Monitoring Officer. At present the Deputy Monitoring Officer is attending each meeting until it is felt that the Finance Improvement Plan is embedded.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the Monitoring Officer attended the AA&R Committee's 21 September 2016 meeting, when the audited financial statements were adopted. The topics considered by the Committee since our recommendation was made have not required formal Monitoring Officer input.</p> <p>Given the general improvements to the Committee's arrangements and the substantive appointment of the Chief Finance officer it is reasonable for the Council to require the Monitoring Officer or Deputy's attendance only on an exception basis if required for specific agreed topics. The decision regarding the Monitoring Officer's attendance can be made as part of the Committee's work programme review or agenda setting arrangements, or even during the pre-meeting briefing session. This is the practice we observe at other Councils.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>12</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 198</p>	<p>Undertake appropriate training with Members to enhance their understanding of the role and responsibilities of external audit and the committee clerk.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>Ernst and Young have offered to arrange appropriate training with members of CDC and SNC as set out in their letter date 11 February 2016.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer/Ernst and Young – June 2016</p>	<p><u>Action taken</u></p> <p>Members approved the accounts in September 2016. Training for the future remains an important issue.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the EY Executive Director provided a briefing on the role and responsibilities of external audit to an additional meeting of the AA&R Committee in September 2016, ahead of the Committee's consideration of the audited financial statements and EY's ISA260 report. The briefing included an update on emerging issues relating to the 2015/16 accounts opinion and VFM conclusion.</p> <p>The Committee also received at this additional meeting a briefing from Management on the financial statements, progress made in relation to the recover of the NNDR debtor and other significant matters arising from the financial statements audit.</p> <p>The former AA&R Committee Chairman told us these briefings were a helpful improvement on previous practice. However, the briefing was not well attended by the Committee members; although there is no record of who attended we understand only a few of the 8 Committee members took part in the training.</p> <p><u>Conclusion</u></p> <p>Overall our recommendation has been implemented, but we have identified at recommendation 13 a continuing area for attention to ensure the Committee is effectively carrying out its role.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>13</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 199</p>	<p>Undertake appropriate training with Members to equip them to offer appropriate, effective and constructive challenge.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>To be built into the internal audit work programme.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer/Ernst and Young – June 2016</p>	<p><u>Action taken</u></p> <p>Members approved the accounts in September 2016. Training for the future remains an important issue.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>The Committee has benefited in the year from specific briefing/training in the role and responsibilities of the external auditor and current and emerging issues relating to the Annual Accounts. The Committee has also received a briefing on the Accounts and Audit Regulations and the statutory accounts reporting framework. This training was well received by the Members that attended and improved their knowledge and confidence in these areas. However, the briefing was not well attended by the Committee members; although there is no record of who attended we understand only a few of the 8 Committee members took part in the training. There is no formal training programme for Committee members or self-review process in place; the Committee does not routinely assess how well it is performing, whether its Terms of Reference are appropriate or whether it is meeting these requirements.</p> <p><u>Conclusion</u></p> <p>The Council has made progress in relation to its role regarding the approval of the Annual Accounts but further work is needed to ensure the Committee has the appropriate knowledge and understanding to enable Members to confidently and effectively meet its full range of responsibilities.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>14</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 200</p>	<p>Officers and Members who have responsibility for preparing and approving the accounts should be familiar with the requirement of the Accounts and Audit Regulations (England) 2011 and other statutory requirements.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>Briefing note to be prepared and included as a supporting paper in the report which approves the statement of accounts.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – June 2016</p>	<p><u>Action taken</u></p> <p>This was covered in the training in June and the slides, which set out the responsibilities have been re-circulated as a refresher.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the AA&R Committee received a briefing on the Accounts and Audit Regulations and the statutory accounts reporting framework at its informal meeting 30 June 2016.</p> <p>The September 2016 briefing by EY also touched on the Regulations and other requirements.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>15</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 201</p>	<p>Ensure that accurate and appropriate legal advice is provided to Officers and Members in respect of the Accounts and Audit Regulations (England) 2011 to enable them to clarify their roles and responsibilities in cases of ambiguity or uncertainty.</p> <p>Priority: (Medium) ●</p>	<p><u>Action Agreed</u></p> <p>Briefing note to be prepared as set out above and to include such advice.</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – June 2016</p>	<p><u>Action taken</u></p> <p>This was covered in the training and at the AARC meeting by the Deputy Monitoring Officer who was in attendance at both.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the AA&R Committee received a briefing on the Accounts and Audit Regulations and the statutory accounts reporting framework at its informal meeting 30 June 2016.</p> <p>The September 2016 briefing by EY also touched on the Regulations and other requirements.</p> <p>We have confirmed that the Monitoring Officer attended the 21 September 2016 Committee meeting when the audited financial statements were approved but was not required to provide specific legal advice.</p> <p>The former AA&R Committee Chairman has informed us that the Committee was clear regarding its role and responsibilities at the 21 September 2016 meeting.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>

Appendix 1 – Progress update (Cont.)

	KPMG Recommendation and priority (January 2016)	Management Response (January 2016)	Management's update (December 2016)	KPMG update April 2017
<p>16</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 202</p>	<p>Restructure the agenda of the Accounts, Audit and Risk Committee meeting at which the accounts are approved so that the auditors' ISA260 report is considered before the approval of the accounts.</p> <p>Priority: (Low) ●</p>	<p><u>Action Agreed</u></p> <p>Agreed and will be implemented in September 2016</p> <p><u>Responsibility and timescale</u></p> <p>Chief Finance Officer – September 2016</p>	<p><u>Action taken</u></p> <p>This has been implemented on the agenda.</p> <p><u>Current status</u></p> <p>Addressed</p>	<p><u>Findings</u></p> <p>We have confirmed that the 21 September 2016 AA&R Committee Agenda and the meeting's discussion was structured in line with our recommendation.</p> <p>We have confirmed that future accounts approval meetings will be structured in the same way.</p> <p><u>Conclusion</u></p> <p>Our recommendation has been implemented.</p>



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Agenda Item 17

Accounts, Audit and Risk Committee Work Programme 2017/18

Date	Agenda Items
28 June	External Audit Progress Report (verbal) External Audit Letter Response (to those charged with governance/management assurance). Internal Audit - Annual Report 2016/17 and Update 2017/18 Corporate Fraud - Update and Annual Report Corporate Risk - Annual Report Treasury Management - Annual Report Annual Governance Statement Approval Risk Based Verification Report KPMG NNDR Audit Follow-up Report Closedown Update (verbal)
27 September	External Audit Annual Results Report Statement of Accounts Approval 2016/17 Internal Audit Progress Report Corporate Fraud Q1 Corporate Risk Q1 Treasury Management Q1
22 November	External Audit Annual Audit Letter Internal Audit Progress Report Corporate Fraud Q2 Corporate Risk Q2 Treasury Management Q2 Housing Benefit Subsidy
24 January	External Audit Progress Report and Annual Certification of Grants Claims Internal Audit Progress Report Treasury Management Strategy 2018/19
14 March	External Audit Annual Plan Internal Audit Progress Report and Audit Plan Corporate Fraud Q3 Corporate Risk Q3 Treasury Management Q3

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