OXFORDSHIRE COUNTY COUNCIL
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Working for you

To: Members of the Audit Committee

Notice of a Meeting of the Audit Committee

Tuesday, 8 May 2012 at 2.00 pm

County Hall

[signature: Peter G. Clark]

Peter G. Clark
County Solicitor   April 2012

Contact Officer: **Geoff Malcolm,**
                                        Tel: (01865) 815904; E-Mail: geoff.malcolm@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Charles Mathew

Councillors

Alan Armitage	A.M. Lovatt	Lawrie Stratford
Tony Crabbe	Larry Sanders	
Roy Darke	C.H. Shouler	

Co-optee
Dr Geoff Jones

Notes:
- *Date of next meeting: 15 May 2012*
- *1.00pm-1.50pm (prior to the Committee meeting). Informal pre-meeting briefing for all members on Final Accounts presented by Stephanie Skivington*
- *The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio*
- *The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items*
- *There will be a Special meeting of the Audit Working Group immediately after the Audit Committee for a private session with the Chief Internal Auditor (30 minutes)*

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare …
You must always declare any "personal interest" in a matter under consideration, i.e. where the matter affects (either positively or negatively):
(i)   any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
(ii)   your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included …
"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare …
The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".
In making a declaration you must state the nature of the interest.

Taking part if you have an interest …
Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests …
A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial …
If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.
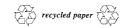
Exceptions …
There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice …
It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**

2. **Declarations of Interest - see guidance note**

3. **Minutes**

   To approve the minutes of the meeting held on 29 February 2012 (**AU3**) and to receive information arising from them.

4. **Petitions and Public Address**

5. **External Audit Progress Report; and Letter to the Chairman on the Audit of Oxfordshire County Council & Oxfordshire Pension Fund Financial Statements for the Year End 31 March 2012**

   2:10

   A representative of the Audit Commission will attend and present the Audit Commission Progress Report and Letter to the Chairman (**AU5**)

   The Committee is RECOMMENDED to:

   (a)   receive and note the Progress Report; and

   (b)   comment upon and note the Letter.

6. **Audit Working Group - 5 April 2012**

   2:30

   Report by Chief Internal Auditor (**AU6**)

   The report summarises the matters arising at the most recent meeting of the Audit Working Group (AWG).

   The Committee is RECOMMENDED to invite the Cabinet Members for Adult Services and for Finance and Property to the Audit Committee to comment on the AWG concerns regarding Fairer Charging.

7. Terms of Reference and Complaints Procedure Under Members' Code of Conduct

2:50

Report by Head of Law & Governance (**AU7**)

Under the Localism Act 2011, the current standards regime for local authorities is due to be repealed on 1 July 2012. At its meeting on 20 March, the Council made some decisions as to the shape of future standards arrangements for Oxfordshire County Council under the Localism Act. These included the cessation of the Council's Standards Committee and a decision to transfer to the Audit Committee – as a newly-named Audit and Governance Committee – the responsibility for the overview of member standards. It was also agreed in principle that a member-officer working group, reporting to the Audit and Governance Committee, be appointed to consider complaints under the new standards arrangements. This report invites the Committee to consider the draft new terms of reference and the potential complaints procedure.

The Committee is RECOMMENDED to consider and comment upon the proposed terms of reference and the arrangements for considering complaints as outlined in Annexes 1 and 2 respectively.

8. Review of the Effectiveness of Internal Audit 2011/12

3:10

Report by the Monitoring Officer (**AU8**)

The report provides a commentary on the performance of the Internal Audit system throughout 2011/12.

The Committee is RECOMMENDED to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2011/12.

9. Internal Audit 2011/12 Progress Report and 2012/13 Quarter 1 Plan

3:30

Report by Assistant Chief Executive and Chief Finance Officer (**AU9**)

The report presents the Internal Audit progress report on the 2011/12 planned activity, and the 2012/13 Quarter 1 Plan and Counter-fraud Plan for the approval of the Audit Committee.

The Committee is RECOMMENDED to:

(a)   note the report;

(b)   approve the Quarter Plan and the Counter-fraud Plan.

10.   Audit Committee Work Programme - Review/Update

3:50

To review / update the Committee's Work Programme (**AU10**).

4:00   Close of meeting

An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Thursday 3 May 2012** at **12 noon** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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AUDIT COMMITTEE

MINUTES of the meeting held on Wednesday, 29 February 2012 commencing at 11.00 am and finishing at 1.25 pm

Present:

Voting Members:	Councillor David Wilmshurst – in the Chair
	Councillor Alan Armitage Councillor Nick Carter (In place of Councillor Charles Mathew) Councillor Tony Crabbe Councillor Roy Darke Councillor Sandy Lovatt Councillor Larry Sanders Councillor C.H. Shouler Councillor Lawrie Stratford
Non-voting Co-optees:	Dr Geoff Jones
Other Members in Attendance:	Councillor Jim Couchman, Cabinet Member for Finance & Property
By Invitation:	Mary Fetigan and Maria Grindley, Audit Commission
Officers:	
Whole of meeting	Lorna Baxter, Deputy Chief Finance Officer; Peter Clark, County Solicitor & Monitoring Officer; Ian Dyson, Chief Internal Auditor; Geoff Malcolm, Committee Officer
Part of meeting	Helen Doney, Financial Manager-Treasury Management; Donna Ross, Principal Financial Manager

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

9/12   APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apology received from	Substitute
Councillor Charles Mathew	Councillor Nick Carter

10/12   MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 18 January 2012 (AU3) were approved and signed.

11/12   TREASURY MANAGEMENT - RISK AND GOVERNANCE
(Agenda No. 5)

At the last meeting the Committee had requested the Head of Corporate Finance to give a presentation on the risk and governance aspects of Treasury Management.

Donna Ross, Principal Financial Officer led a presentation on 'Treasury Management Strategy Risks'.   The presentation provided the CIPFA definition of Treasury Management (TM) and then looked at the Council's processes for the TM in terms of its budget, strategy inputs, risk and risk management and monitoring, and the Council's Strategy for 2012/13.

The team then responded to questions and comments including regular reporting to members through half yearly reports to Council, monthly monitoring to the Cabinet and regular liaison with the Committee's Chairman, who was also the Member Champion for Risk Management.

RESOLVED: to note the information and thank Ms Ross and team.

12/12   AUDIT WORKING GROUP - 16 FEBRUARY 2012
(Agenda No. 6)

The Committee considered a report (AU6) which summarised the main business items arising at the most recent meeting of the Audit Working Group (AWG) on 16 February 2012, which were as follows:

- Internal Audit Report
- Risk Management Report
- Review of AWG Terms of Reference
- AWG Work Programme.

RESOLVED: to

a)   note the report;

b)   approve the AWG terms of reference (subject to any consequential changes arising from Minute 13/12 below); and

c)   approve the timings and initial Work Programme for the AWG in 2012/13.

13/12   AUDIT COMMITTEE ANNUAL REPORT 2011
(Agenda No. 7)

Councillor Wilmshurst introduced the Chairman's (draft) Annual Report to Council which had been prepared in accordance with the process agreed by the Committee in 2006.

Members suggested minor updates and textual corrections for inclusion in the final report (for which see the County Council Agenda for the meeting on 3 April 2012 - Agenda item 10). The Chairman agreed to clarify in particular references to member attendance at the Audit Working Group (AWG) to reflect that all members of the Audit Committee could attend AWG meetings.

RESOLVED: to endorse the Annual Report to Council 2011 (AU7) subject to the minor changes raised during debate.

14/12   INTERNAL AUDIT SERVICES - INTERNAL AUDIT STRATEGY 2012/13
(Agenda No. 8)

The Committee considered a report (AU8) which detailed the Internal Audit Strategy, including the resources available and how the service would be delivered in 2012/13. Mr Dyson confirmed that work plans would be prepared on a quarterly basis and presented to the Audit Committee for approval.

RESOLVED: to approve the Internal Audit Strategy subject to minor textual corrections and updates.

15/12   TIMING OF MEETINGS
(Agenda No. 9)

The Committee considered a report (AU9) which sought the Committee's approval for an alteration in the timing of the Committee from Wednesdays at 11.00 a.m. to a new time of Wednesdays at 2.00 p.m.

The County Solicitor & Monitoring Officer outlined the reasons for the request. The Committee currently met six times a year on a Wednesday morning. The County Council's senior management team also met every week at this time. Both the County Council Management Team and the Audit Committee required the continued focus and support of the Council's Chief Officers. Consequently, it was suggested that the Council's strategic management and its control arrangements would be enhanced by avoiding any clash between the two meetings.

If the Committee supported the proposal, any informal briefings/training by officers immediately before the start of Audit Committee meetings would in future commence at 1pm.

RESOLVED: to **RECOMMEND** Council that future meetings of Audit Committee should take place in the afternoon from 2.00 p.m..

16/12 AUDIT COMMITTEE DRAFT WORK PROGRAMME 2012/13
(Agenda No. 10)

The Committee considered and **RESOLVED** to agree its Work Programme 2012/13 as drafted subject on 18 April 2012 to the deletion of 'Draft Annual Scrutiny Report' which was moved to the Audit Working Group agenda for 21 June 2012.

.... in the Chair

Date of signing   ....

External audit progress report

April 2012

Oxfordshire County Council and Oxfordshire Pension Fund

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

Audit Commission   External audit progress report   **1**

Introduction

1   This report identifies the work that I will deliver as part of my 2011/12 audit plans for Oxfordshire County Council and Oxfordshire Pension Fund and progress against those plans. In addition this report also highlights key messages and challenges for the Audit Committee.

Progress on 2011/12 audit plans for Oxfordshire County Council and Oxfordshire Pension Fund

Timeline of the audits and progress to date

2   The timeline for the audit work for 2011/12 to October 2012 is attached at appendix 1. Progress for the key parts of the 2011/12 audits is set out in appendix 2.

3   The interim audit work for Oxfordshire County Council is underway. We have completed our reviews of three systems and agreed a detailed joint programme with Internal Audit for the remaining systems.

4   Each year we monitor the level of transaction passing through the financial systems into the ledger. From this review we have identified three systems that have become material for the 2011/12 accounts. These are the early years education payments system (EMS), the social services direct payments system (SWIFT) and the repairs and maintenance system (ATRIUM). The audit of these systems will be covered by our joint programme with Internal Audit. Completion of our interim work therefore will occur in tandem with the Internal Audit programme.

5   Our work on the VFM conclusion is progressing. We have identified no risks to the VFM conclusion from this work.

6   Our interim work on Oxfordshire Pension Fund is now largely complete in line with the agreed timetable.

Key messages for the Audit Committee

Key Findings

7   Where I have specific findings from my work or have identified deficiencies in internal control I will bring those to your attention. I have no such matters to raise within this report.

Independence

8 The Auditing Practices Board's issue ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. This standard requires me to report to you any threats to independence that have been identified and require a safeguard.

9 I identified two threats to independence relating to a members of the audit team.

- The audit manager, Mary Fetigan, is friends with one of the Council's social workers. Therefore I have put in place a safeguard to ensure our independence is not affected. The safeguard I have put in place is that Mary Fetigan will not carry out or review any of our work on social services expenditure.
- Principal Auditor, Adam Millward's mother is a head teacher at an Oxfordshire County Council school. The safeguard I have put in place is that Adam Millward will not carry out or review any of our work on education expenditure.

10 The following information summarises progress with recent initiatives. I have included it in my progress report as it may be useful information to you as an Audit Committee.

Government response to consultation on the future of local public audit

11 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

12 The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

13 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.

Page 9

- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

14 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

15 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

16 The key points are as follows.
- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern
	South East (including Oxfordshire CC and PF)
Grant Thornton	North West
	West Midlands
	London (South), Surrey & Kent
	South West
KPMG	Humberside & Yorkshire
	East Midlands
	London (North)

Ernst and Young will be the auditors of Oxfordshire County Council and Oxfordshire Pension Fund for 2012/13 for five years.

- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission intends to publish the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board confirmed the 'interim' auditor appointments for the first five months of 2012/13 on 22 March 2012.

Page 10

- The Commission will then write to all audited bodies on or shortly after 23 April 2012 to set out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate.
- To support the consultation process, the Commission is arranging a series of introductory meetings in each contract area between 30 April 2012 and 16 May 2012. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

17   The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor.

18   Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

19   Further details are available on the Commission's website. We will continue to keep you updated on developments.

20   Against this background, the Audit Practice's focus remains.
- Fulfilling our remaining responsibilities for delivering your 2011/12 audit to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Annual fraud and corruption survey 2011/12

21   On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

22   The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

National Fraud Initiative consultation

23   The Audit Commission is currently consulting on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI). The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

24   The work programme will remain unchanged from NFI 2010/11 and in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For Oxfordshire County Council this is £4,500.

Page 11

25 The consultation closed on 23 March 2012 and the final work programme and scales of fees will be published in May 2012.

Further information

26 If you would like further information on any items in this briefing, please feel free to contact either Maria Grindley or Mary Fetigan.

27 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Page 12

Appendix 1 Audit timeline

2011/12 audit	April 2011	May - Sept	Oct	Nov	Dec	Jan 2012	Feb	Mar'	April	May	June	July	Aug	Sept	Oct ->
Initial planning + fee letter - both															
detailed planning - both															
Interim audit work - County															
Interim audit work - Pensions															
Accounts audit - County															
Accounts audit -Pension Fund															
accounts audit – Pensions															
Whole of Government Accounts (WGA) – County															

Page 13

April 2011	May - Sept	Oct	Nov	Dec	Jan 2012	Feb	Mar'	April	May	June	July	Aug	Sept	Oct ->

VFM conclusion - County

AAL - Joint

Grants - County

Page 14

Appendix 2 Audit progress

Period	Work planned	Delivered – County Council	Delivered – Pension Fund
Oct - Dec 2011	Update planning information and risk assessments	Updated	Updated
	Set testing strategy	Initial draft, to be updated across audit	Initial draft, to be updated across audit
	Start to document and walkthrough financial systems	In progress	In progress
	Agree overall plan and reliance with Internal Audit	Initial agreement, to be updated across audit	Initial agreement, to be updated across audit
	Initial high level VFM conclusion risk assessment	Done	Not required
January 2012	Draw together update of planning and risk assessments	Updated	Updated
	Issue detailed audit plan	County audit plan agreed 18 January 2012	Pension Fund audit plan agreed 18 January 2012
	Finalise report on 2010/11 grants	Agreed at Audit Committee 18 January 2012	Not required
January - April 2012	Document and walkthrough financial systems	Some systems documented and walked through	Documentation and walkthrough of systems largely complete
	VFM conclusion detailed risk assessment	Detailed plan agreed with Internal Audit for completion of remaining systems	
8 May 2012	Progress report	Joint progress report delivered	Joint progress report delivered
	Request for assurances from Audit Committee	Joint request within papers	Joint request within papers

Period	Work planned	Delivered – County Council	Delivered – Pension Fund
April - June 2012	Review IA files and testing where we are planning to rely on their work Complete systems documentation Complete and top up testing required Continue to review relevant reports and outcomes relevant to VFM conclusion		
4 July 2012	Progress Report to Audit Committee Receive assurances from Audit Committee (to be discussed)		
July – August 2012	Update final accounts planning Deliver final accounts audit Vfm conclusion work completed Plan and begin grants work		
September 2012	Complete and review final accounts audit and work on VFM conclusion complete WGA audit Discuss audit findings with S151 officer Prepare Annual Governance Report Sign opinions by due date 30 September Ongoing work on Grants		
19 September 2012	Present Annual Governance Report to Audit Committee		
October 2012 onwards	Prepare opinion audit report to officers (if required) Annual Audit Letter		

Audit Commission   External audit progress report

10

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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24 April 2012

Councillor David Wilmshurst
Chair of the Audit Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

Dear David

Audit of Oxfordshire County Council and Oxfordshire Pension Fund Financial Statements for the year end 31 March 2012
Understanding how the Audit Committee gains assurance from management

I have a good understanding of how the Audit Committee as those charged with governance gains assurance over management processes and arrangements. This enables me to deliver an efficient audit, reducing the time your staff need to spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', please provide details.

1) How do you 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);
- identifying and responding to risks of fraud in Oxfordshire County Council and Oxfordshire Pension Fund, 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;
- communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Oxfordshire County Council's code of conduct); and
- communicating to you the processes for identifying and responding to fraud or error.

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Page 19

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2011-12?

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2011-12?

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Oxfordshire County Council's ability to continue as a going concern? Have you identified any events which may cast significant doubt on the Oxfordshire Pension Fund's ability to continue as a going concern?

In addition to the above questions about how you gain assurance from management, I have included at Appendix 1, 8 questions about your views on fraud. Your responses will inform my assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work I undertake.

Please provide a response by July 2012 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Maria Grindley
District Auditor

Appendix 1

No.	Questions for those charged with governance.	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 – 31 March 2012?	
2	Do you suspect fraud may be occurring within Oxfordshire County Council or Oxfordshire Pension Fund? ➤ Have you identified any specific fraud risks within Oxfordshire County Council or Oxfordshire Pension Fund? ➤ Do you have any concerns that there are areas within Oxfordshire County Council or Oxfordshire Pension Fund that are at risk of fraud? ➤ Are there particular locations within Oxfordshire County Council or Oxfordshire Pension Fund where fraud is more likely to occur?	
3	Are you satisfied that internal controls, including segregation of duties, exist and work effectively? ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud?	
4	How do you encourage staff to report their concerns about fraud? ➤ What concerns about fraud are staff expected to report?	
5	From a fraud and corruption perspective, what are considered to be high risk posts within Oxfordshire County Council or Oxfordshire Pension Fund? ➤ How are the risks relating to these posts identified, assessed and managed?	
6	Are you aware of any related party relationships or transactions that could give rise to instances of fraud? ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions?	
7	Are you aware of any entries made in the accounting records of Oxfordshire County Council or Oxfordshire Pension Fund that you believe or suspect are false or intentionally misleading? ➤ Are there particular balances where	

	fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of Oxfordshire County Council or Oxfordshire Pension Fund? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors which are high risk of fraud?	
8	Are you aware of any organisational, or management pressure to meet financial or operating targets? ➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	

AUDIT COMMITTEE – 8 May 2012

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 5 April 2012

The meeting was attended by:
Dr. Jones – Chairman; Cllr. Wilmshurst; Cllr. Armitage; Cllr. Mathew; Lorna Baxter; Ian Dyson; Claire Phillips.

Part meeting only: AWG4 Simon Kearey; AWG5 Mike King; AWG6 James Drew and Neil Shovell; AWG7 Glenn Watson; AWG9 / 10 John Dixon and Sarah Cox; AWG10 Jo Stone.

Observer: Cllr. Larry Sanders

AWG WORK PROGRAMME ITEMS

The main business items of the meeting were as follows:

AWG 4 Alert Service
AWG 5 SAP Roles
AWG6 Internal Audit Report
AWG7 Whistle-blowing Incidents Annual Report
AWG8 Annual Governance Statement Actions
AWG9 Personal Budgets
AWG10 Fairer Charging

MATTERS FOR REPORT TO THE AUDIT COMMITTEE:

Private Session with the External Auditors

Immediately following the Audit Committee on 29 February 2012, a special meeting of the AWG was held with no officers present. The meeting was held with the External Auditors only. The meeting gave full opportunity for a frank exchange of views and the OCC Members noted the comments and issues raised by the External Auditors. Members recognised that the issues raised represented mainly reputational risks to the Authority, but assurances would be sought from Officers where necessary.

A private session with the Chief Internal Auditor was deferred and has been rescheduled for immediately after the Audit Committee meeting on Tuesday 8 May 2012.

Personal Budgets (AWG9)

At the Audit Committee meeting 18 January 2012, the Audit Commission highlighted that nationally Personal Budgets are being identified as a fraud risk. The Committee asked the Audit Working Group to consider how this risk is being mitigated in Oxfordshire. The Deputy Director, Adult Social Care, outlined how the existing arrangements for personal budgets and the proposals currently being considered for

improving the client pathway for self-directed support, are used to manage the inherent   risks of fraud within a Personal Budgets system, including the financial abuse of clients. The inherent fraud risks and the processes in place at Oxfordshire County Council to manage those risks are summarised as follows:

Risk of false or exaggerated need for care:
All clients are subject to a statutory assessment of their needs carried out by qualified social workers. Throughout their period of care all clients receive reviews to ensure that needs remain relevant and are being met. Assessments and reviews are subject to quality monitoring.

Risk of failure to declare income/capital
Client contributions for self-directed support are calculated under the Fairer Charging Scheme by the Financial Assessment Team. All clients have their financial circumstances reviewed annually.

Risk of fraud by the person managing the personal budget for the client
The key control is through the annual review of client care needs that considers whether care outcomes are being achieved, and through the monitoring of the use of the direct payments made to the client. There is also a scheme in operation called 'buy with confidence' through which details of accredited Personal Assistants are available to clients.

Risk of fraud by the organisation providing care for the client
The key control is also through the annual review of client care needs and through the monitoring of the use of Direct Payments.

The Deputy Director stated in his report that there are risks that self-directed support brings to being able to ensure the safeguarding of vulnerable adults, and so the service is taking action to strengthen the Safeguarding Service, including both general safeguarding and protection from financial abuse. This includes increasing the number of adult protection leads in the County to allow for one per community team.

The Chief Internal Auditor reported that the effectiveness of the management of the fraud risks will be considered during audits of the Personal Budgets and Direct Payments Systems during 2012/13.

Overall the Group considers that the mitigations provide assurance that widespread fraud and/or abuse of clients is unlikely; however, the system depends crucially on the review process. Last year, Internal Audit found that a large proportion of reviews were not conducted in a timely manner and that quality monitoring of the review process was deficient.

Although action has been taken to improve the situation, the risk arising from failure to review is much higher under the personal budget regime. The agreed management action was for 80% of reviews to have been completed by 31 March 2012. In addition, there may still be data issues arising from the SWIFT system that may mean that not all clients eligible for care are subject to timely review. The Group understands that performance information is now regularly reported to the Social & Community Services Directorate Leadership Team, and also that it is not

possible to guarantee that no fraud or abuse whatsoever will occur. The Group is satisfied with the assurances they have received.

But the adverse reputational impact of even one case of fraud leads the Group to conclude that until all client reviews are conducted appropriately and in a timely way, some residual risk must be accepted.

AWG10 Fairer Charging

The Group was provided with an update on the foregone income status to the period ending 29 February 2012; the March figures were not available at the time. The report demonstrated that by applying the worst case scenario there was a sharp increase in the forgone income in the category of historical cases during January; and, an increase in the 'business as usual' foregone income category that now exceeds the annual average target previously agreed. The increase in "business as usual" was attributed to unexpected sickness absences and exceptional levels of staff turnover. Officers reported that the performance against the "business as usual" target is routinely monitored by the Directorate Leadership Team within Oxfordshire Customer Services, and as a result of not achieving the target this was escalated and reported to the County Council Management Team. With regards to the historic cases, it has previously been reported that as these are being reviewed there remains the potential for further cases of foregone income to be identified; however the Group has asked for certainty over the number of legacy cases still to be reviewed and when they will be resolved.

The Group is still very concerned at the level of foregone income, as it remains the case that the total level of income foregone in 2011/12 is close to that of previous years, notwithstanding the efforts that have been made to reduce it.

The Group acknowledged that the foregone income resulting purely from the "business as usual cases" was not a material risk going forward; however the Group remain very concerned at the total forgone income for the year, and in particular whether, when and how this will be reported to Cabinet Members.

In order to be satisfied that the overall level of loss will eventually fall the Group require reasonable assurances that there are no more high value legacy cases, and that the performance reporting processes are embedded such that Managers and Members are informed promptly when levels of foregone income exceed targets set.

The following additional information has been requested:
- The total number of legacy cases to be identified and a target date set for their resolution;
- Documentation of the reporting process to demonstrate that up to date and accurate information is regularly available;
- Details of how the large value cases of forgone income and overall financial performance of Fairer Charging are reported to Members, in particular the Cabinet Member for Adult Services and the Cabinet Member for Finance and Property.

The Deputy Director Adult Social Care agreed to circulate the information requested to Members of the Audit Committee.

The Group **recommends** to the Audit Committee that the relevant Cabinet Members be invited to attend the Committee at an appropriate time to discuss the current performance of the Fairer Charging system.

AWG6 Internal Audit Emerging Issues

There were three main issues arising from the Internal Audit Report:

School Transport Service

Further to the adverse Internal Audit report presented at the last AWG, the Audit Manager updated the Group on the issues arising from the subsequent audit that focussed on the "mid-term tender process". Following the findings of both audits, a meeting has been convened in April between County Procurement, Integrated Transport Unit and Internal Audit to agree new procedures. The Integrated Transport Unit Manager attended the AWG meeting and assured that Group that the actions agreed in the original audit report have been progressed and are being implemented according to the timescales set out in the audit report. The Group noted the assurance and requested an update from the Chief Internal Auditor at the next meeting. The Chief Internal Auditor confirmed that a full audit to test the implementation and effectiveness of the management actions will be undertaken during quarter 2 of 2012/13.

Knights Court

The Audit of Knights Court resulted in an overall conclusion of "Unacceptable", as a result of poor financial management practices. The agreed management action plan involves officers from all three Directorates. The Group was concerned at the outcome of the audit and whether it is isolated to this office or could be a wider cultural issue. The Corporate Facilities Manager will be invited to the next AWG to give assurance that actions have all been completed and are working effectively, and to discuss how lessons from this audit have been passed on to the other local offices.

Outstanding Management Actions in E&E

The Chairman of the Audit Committee agreed to write to the Deputy Director Growth and Infrastructure as three management actions remain outstanding from 2009/10, with no recent updates provided.

AWG4 Alert Service

At the last meeting of the AWG (16 February 2012), the Group was concerned that one of the service providers had not signed a contract due to unresolved issues with the terms and conditions. The Manger updated the Group stating that agreement had been reached with the service provider and that the copies of the contract were being drawn up for signing.

AWG5 SAP Roles

The Group was informed that procurement will be undertaken in May 2012 to bring in specialist resource to test for complex conflicts with the operational SAP roles so that the extent of risk within the system can be evaluated. The results should be available for reporting back to the AWG in June 2012.

AWG7 Whistleblowing Incidents Annual Report

The Group received the report and noted there were no consistent issues to indicate systemic problems; however the relatively small number of instances was noted and the Group has asked for further work to be undertaken to ensure that there is good awareness of the procedure amongst staff and members. The Chief Internal Auditor confirmed that fraud awareness, including the whistle-blowing process will form part of the Counter-Fraud plan for 2012/13.

AWG8 Annual Governance Statement Actions

The Group noted the position regarding the actions from 2011/12, and were invited to comment on items to include in the 2012/13 AGS Action Plan.

Work Programme

The updated work programme is attached as annex 1 to this report.

The Committee is RECOMMENDED to invite the Cabinet Members for Adult Services and for Finance and Property to the Audit Committee to comment on the AWG concerns regarding Fairer Charging.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer
Corporate Core

Contact: Officer: Ian Dyson, Assistant Head of Finance (Audit) Tel 01865 323875
                     ian.dyson@oxfordshire.gov.uk

April 2012

ANNEX 1

AUDIT WORKING GROUP
WORK PROGRAMME 2012/13

2012

Tuesday 8 May
SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE
- Private Session with the Chief Internal Auditor

Thursday 21June
- Draft Annual Scrutiny Report - Alexandra Bailey / Cllr. Nick Carter
- Internal Audit Report (including ITU Update)– Ian Dyson
- SAP roles update - Mike King/Ian Dyson
- Draft Internal Audit Annual Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Draft Annual Governance Statement

Monday 10 September
- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips

Thursday 8 November
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – Kathy Wilcox
- Annual Governance Statement Process – annual review of the assurance framework - Peter Clark

2013
Thursday 14 February
- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Quarterly Update AGS Action Plan – TBC
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson

Wednesday 27 February
SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE
- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 23 April 2012
Ian Dyson, Chief Internal Auditor 01865 323875

Division(s): ALL

AUDIT COMMITTEE – 8 MAY 2012

TERMS OF REFERENCE AND COMPLAINTS PROCEDURES UNDER MEMBERS' CODE OF CONDUCT

Report by Head of Law and Governance

Introduction

1. Under the Localism Act 2011, the current standards regime for local authorities is due to be repealed on 1 July 2012. At its meeting on 20 March, the Council made some decisions as to the shape of future standards arrangements for Oxfordshire County Council under the Localism Act. These included the cessation of the Council's Standards Committee and a decision to transfer to the Audit Committee – as a newly-named Audit and Governance Committee – the responsibility for the overview of member standards. It was also agreed in principle that a member-officer working group, reporting to the Audit and Governance Committee, be appointed to consider complaints under the new standards arrangements.

2. On 15 May, Council will be asked to adopt a code of conduct which complies with the Localism Act 2011. It will also need to adopt arrangements for the consideration of alleged breaches of the Code. This report outlines the changes to the terms of reference of the Audit Committee envisaged under the widening of its role as the 'Audit and Governance Committee'. It also includes an outline of potential procedures for resolving complaints about breaches of any new code and how the member-officer working group might report to this Committee. The Committee is asked to comment on the draft terms of reference and complaints procedure.

Terms of reference and member complaints procedure

3. The Localism Act requires the Council to have in place arrangements for investigating and deciding on any allegations of a breach of any Code put in place from 1 July.

4. At its meeting on 20 March, Council agreed that such arrangements should include a member-officer working group along the lines of the existing Audit Working Group, thereby creating a pool of members who could be involved in handling complaints about Councillors under any revised Code of Conduct. Its work would be reported to the newly appointed Audit and Governance Committee, giving the assurance of formal member oversight. The Monitoring Officer would include reference to this work in his Annual Monitoring Report, which already goes to the Audit Committee. This group is referred to in the complaints procedure as the 'Members Advisory Group'. The Chairman of the

Audit and Governance Committee will include reference to this work in his/her annual report to Council.

5. Annex 1 contains proposed revised terms of reference for this committee (as the future 'Audit and Governance Committee') and Annex 2 contains an outline procedure for resolving complaints under any new code. The Committee is invited to comment on the terms of reference and the local procedures so that the Monitoring Officer can take these into account in presenting the local standards arrangements to Council for approval on 15 May.

6. The decision not to reappoint a standards committee but to transfer responsibility for member standards to this Committee has necessitated changes to the committee's terms of reference. In particular, these now reflect the committee's role in promoting standards, overseeing the members' code of conduct and receiving any reports from member advisory panels which may be called to investigate complaints about alleged breaches of the code.

7. The Monitoring Officers of Oxfordshire's principal authorities (this Council and the five district/city councils) have worked together to produce a single, consistent code of conduct for members which complies with the Localism Act 2011 and a code is scheduled to be adopted by Council on 15 May. However, each council's procedures for handling complaints about breaches of the code will be particular to each authority. In all cases save that of Oxford City, which is retaining a standards committee, arrangements will feature panels reporting to each council's audit committee.

8. The arrangements outlined in Annex 2 envisage a more proportionate approach than under the previous standards regime, in line with the Localism Act. This involves a role for the Monitoring Officer in determining whether a complaint merits formal investigation and if so how this should proceed. In accordance with the Act, the arrangements would have an advisory role for an 'Independent Person' recruited for the purpose following public advertisement.

The Monitoring Officer:
- will review every complaint received and, after consultation with an Independent Person take a decision as to whether it merits formal investigation
- may seek to resolve the complaint informally, without the need for a formal investigation
- will determine the procedure to be adopted if a decision is taken to undertake a formal investigation. This may involve the appointment of an Investigating Officer
- if, after investigation, there appears to be no evidence of a breach, communicate this to all relevant parties
- if there appears to be a breach, either refer the matter for local hearing before the Members Advisory Panel or, after consulting the Independent Person, seek local resolution
- if a Members Advisory Panel finds a breach of the Code, it may recommend certain sanctions to the Monitoring Officer. Neither the Panel nor the

Monitoring Officer has power to suspend or disqualify the Member or to withdraw Members' basic or special responsibility allowances

RECOMMENDATION

The Committee is RECOMMENDED to consider and comment upon the proposed terms of reference and the arrangements for considering complaints as outlined in Annexes 1 and 2 respectively.

Peter G Clark
County Solicitor & Monitoring Officer

Background papers:

The Localism Act 2011

Contact Officer: Peter Clark

May 2012

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Audit and Governance Committee

Draft terms of reference (Part 2, Article of the Council's Constitution).

Changes to the previous terms are shown in **bold** (paragraphs 5-8 below).

(1)   The functions in relation to the approval of the statement of accounts etc specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control).

(2)   To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources:

- to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;

- to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and

- to ensure coordination between internal and external audit plans to maximise the use of resources available as part of a total controls assurance framework;

and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

(3)   To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or the Council's External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.

(4)   To systematically monitor:

- the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time;

- the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties are fulfilled;

- resourcing for the service, making recommendations to the Cabinet and Council on the budget for the service;

- arrangements for the prevention and detection of fraud and corruption; and

- the system for Treasury Management

and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

(5) **To promote high standards of conduct by councillors and co-opted members**

(6) **To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members**

(7) **To receive reports from Members Advisory Panels appointed to investigate allegations of misconduct under the members' code of conduct**

(8) **To advise the Council as to the adoption or revision of the members' code of conduct**

(9) To implement the foregoing in accordance with a programme of work agreed by the Committee annually in advance, and to report to the Council on the Committee's performance in respect of that programme.

Arrangements For Dealing With Complaints Against Members Under The Localism Act 2011

1. **Context**

   These "Arrangements" set out how you may make a complaint that an elected or co-opted member of this Authority has failed to comply with the Authority's Code of Conduct, and sets out how the Authority will deal with allegations of a failure to comply with the Authority's Code of Conduct.

2. **The Code of Conduct**

   The Council has adopted a Code of Conduct for Members [which will be attached when Council have adopted the Code], which is attached as Appendix 1 to these arrangements and available for inspection on the Authority's website and on request.

3. **Making a Complaint**

   If you wish to make a complaint, please write or email to:

   The Monitoring Officer
   Law & Governance
   Oxfordshire County Council
   County Hall
   New Road
   Oxford
   OX1 1ND

   or

   standards.monitoringofficer@oxfordshire.gov.uk

   The Monitoring Officer is a Senior Officer of the Authority who has statutory responsibility for maintaining the Register of Members' Interests and who is responsible for administering the system in respect of complaints of Member misconduct.

   In order to ensure that we have all the information which we need to be able to process your complaint, please complete and send us the complaint form, which can be downloaded from the Authority's website and is also available on request.

   Please provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress. If you want to keep your name and address confidential, please explain your reasons in this space provided on the complaint form. The Authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

The Monitoring Officer will acknowledge receipt of your complaint within 5 working days of receiving it, and will keep you informed of the progress of your complaint.

4. **Will Your Complaint Be Investigated?**

The Monitoring Officer will review every complaint received and, after consultation with the Independent Person, take a decision as to whether it merits formal investigation. This decision will normally be taken within 14 days of receipt of your complaint. Where the Monitoring Officer has taken a decision, he/she will inform you of his/her decision and the reasons for that decision.

Where he/she requires additional information in order to come to a decision, he/she may come back to you for such information, and may request information from the Member against whom your complaint is directed.

In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the Member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the Authority. Where the Member or the Authority make a reasonable offer of local resolution, but you are not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

If you complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to call in the Police and other regulatory agencies.

Before taking any decision, the Monitoring Officer will consult the Independent Person.

5. **How Is The Investigation Conducted?**

The Monitoring Officer will determine the procedure to be adopted if a decision is taken to undertake a formal investigation. This may involve the appointment of an Investigating Officer, who may be another Senior Officer of the Authority, an Officer of another Authority or an external investigator.

It would be usual to write to the Member against whom you have complained and provide him/her with a copy of your complaint, and ask the Member to provide his/her explanation of events, and to identify what documents he needs to see and who he needs to interview. In exceptional cases, where it is appropriate to keep your identity confidential or disclosure of details of the complaint to the Member might prejudice the investigation, the Monitoring Officer can delete your name and address from the papers given to the Member, or delay notifying the Member until the investigation has progressed sufficiently.

At the end of the investigation, a report will be prepared for the Monitoring Officer to consider and who send copies to the complainant and the Member

concerned.

6. **What Happens If There Appears To Be No Evidence Of A Failure To Comply With The Code of Conduct?**

The Monitoring Officer will review the Investigating Officer's report (if applicable) and consult the Independent Person. If he/she is satisfied that the report is sufficient and no further action is required, the Monitoring Officer will write to you and the Member giving you both a copy of the final report.

7. **What Happens If There Appears To Be Evidence Of A Failure To Comply With The Code Of Conduct?**

The Monitoring Officer will review any relevant report and consult the Independent Person. The Monitoring Officer will then either send the matter for local hearing before the Members' Advisory Panel or seek local resolution.

7.1. **Local Resolution**

The Monitoring Officer may consider that the matter can reasonably be resolved without the need for a hearing. In such a case, he/she will consult with the Independent Person and with you as complainant and seek to agree what you consider to be a fair resolution which also helps to ensure higher standards of conduct for the future. Such resolution may include the Member accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action by the Authority. If the Member agrees with the suggested resolution, the Monitoring Officer will report the matter to the Audit and Governance Committee for information, but will take no further action.

7.2. **Local Hearing**

If the Monitoring Officer considers that local resolution is not appropriate, particularly if the allegation relates to serious misconduct, then the Monitoring Officer will report the matter to the Members' Advisory Panel which will conduct a local hearing to consider whether the Member has failed to comply with the Code of Conduct and, if so, whether to recommend action in respect of the Member.

The Monitoring Officer will request that the Member gives his/her response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing, and the Chairman of the Members' Advisory Panel may issue directions as to the manner in which the hearing will be conducted. At the hearing, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the Member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you as the complainant to attend and give evidence at the Members' Advisory Panel. The Member will then have an opportunity to

give his/her evidence, to call witnesses and to make representations to the Members' Advisory Panel as to why he/she considers that he/she did not fail to comply with the Code of Conduct.

8. **What Action Can The Members' Advisory Panel Take Where A Member Has Failed To Comply With The Code Of Conduct?**

The Members' Advisory Panel may recommend the Monitoring Officer to:

8.1. Censure or reprimand the member;

8.2. Publish its findings in respect of the Member's conduct;

8.3. Report its findings to Council for information;

8.4. Recommend to the Member's Group Leader (if applicable) that he/she be removed from any or all Committees or Sub-Committees of the Council;

8.5. Recommend to the Leader of the Council that the Member be removed from the Cabinet, or removed from particular Portfolio responsibilities;

8.6. Recommend to Council that the member be replaced as Executive Leader;

8.7. Instruct the Monitoring Officer to offer training for the Member;

8.8. Withdraw facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access, or

8.9. Exclude the Member from the Council's Offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

The Monitoring Officer and the Members' Advisory Panel has no power to suspend or disqualify the Member, to withdraw Members' or special responsibility allowances, or to recommend other outcomes.

9. **What Happens At The End Of The Hearing?**

At the end of the hearing, the Chairman will state the conclusion of the Members' Advisory Panel as to whether the Member failed to comply with the Code of Conduct and as to any actions which the Members' Advisory Panel wishes to recommend to the Monitoring Officer.

Before any recommendation is made, it will provide a further opportunity to the Member to make further representations, hear further from the Independent Person before making a recommendation as to action to the Monitoring Officer.
The Monitoring Officer will take the Panel's recommendation(s) into account in

determining any action to be taken. As soon as reasonably practicable thereafter, the Monitoring Officer shall prepare a formal decision notice and send a copy to you, to the Member, make that decision notice available for public inspection and report the decision to the next convenient meeting of the Audit and Governance Committee.

10. **Who Are Members' Advisory Panel?**

The Members' Advisory Panel is a Working Group of the Council's Audit and Governance Committee. The Panel will comprise a maximum of three Members of the Council drawn from at least two different political parties together with the Monitoring Officer and such other Officers as he/she may designate. The Panel may include not more than one Member of the Authority's Cabinet.

The Independent Person is invited to attend all meetings of the Members' Advisory Panel and his/her views are sought and taken into consideration before the Members' Advisory Panel reaches any conclusion on whether the Member's conduct constitutes a failure to comply with the Code of Conduct and as to any recommendations to the Monitoring Officer for action following a finding of failure to comply with the Code of Conduct.

11. **Who Is The Independent Person?**

The Independent Person is a person who has applied for the post following advertisement of a vacancy for the post, and is appointed by a positive vote from a majority of all Members' of the Council.

The Council will, so far as is reasonably practicable, appoint two Independent Persons to undertake this role.

12. **Revision Of These Arrangements**

The Council may by resolution agree to amend these arrangements, and has delegated to the Monitoring Officer the right to depart from these arrangements where he/she considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

13. **Appeals**

There is no right of appeal for you as complainant or for the Member against a decision of the Monitoring Officer or the recommendation of the Members' Advisory Panel.

If you feel that the Authority has failed to deal with your complaint properly, you may make a complaint to the Local Government Ombudsman.

Peter G Clark
County Solicitor and Monitoring Officer

Date: April 2012

Division(s): N/A

AUDIT COMMITTEE – 8 May 2012

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2011/12

Report by the Monitoring Officer

INTRODUCTION

1. In January 2012, the Audit Committee agreed the process for undertaking the annual review of the Effectiveness of the System of Internal Audit, and requested that the Monitoring Officer undertake that review. The annual review is a requirement under the Accounts and Audit (England) Regulations 2011.

2. This report outlines the methodology used, and the overall findings and conclusions.

METHODOLOGY

3. The review has been conducted primarily as a desk top exercise with the collation of evidence from the Chief Internal Auditor (CIA); by reference to Committee reports on the Councils intranet site from both Internal and External Audit; by reference to progress reports on Internal Audit presented to the Audit Working Group (attended by the Monitoring Officer); and by canvassing the views of the extended County Council Management Team by way of a questionnaire.

FINDINGS

4. In 2011/12 the Internal Audit management team has remained unchanged. The CIA continues to share his time between Oxfordshire County Council and Buckinghamshire County Council, and from July the collaboration extended to include 'Audit Manager' days to Buckinghamshire. The collaboration will be extended further in 2012/13 as the team is currently out to recruit to four posts that will work across both County Councils and their external clients.

5. During 2011/12 there has been higher than expected turnover of staff that has impacted on the planned audit activity and on the overall performance in terms of output measures, but not, it would appear, the overall quality of work. In accordance with the Internal Audit Strategy, the in house team has operated in conjunction with an external service provider, Deloittes, to deliver the Internal Audit Service. The contract with Deloittes proved essential following staff turnover, as it ensured resources were available to deliver the planned activity minimum

disruption; however, working with an external provider has also caused difficulty in service delivery and these difficulties are evident in the significant reduction in performance with regards to timeliness of output. The CIA has reported that a benefit of working with Deloittes was expected to be creating some capacity at Audit Manager level, but this has not been achieved as both the in house Audit Managers have been required to provide more support than expected on the outsourced audits.

6. It is essential that the Internal Audit Team has good engagement with its clients, both at an operational level and at a Senior Management / Member level. It is clear that this is being achieved. The CIA has good engagement with Directors, and Audit Managers regularly attend Directorate Leadership Teams and meet with senior managers to understand emerging issues. The Monitoring Officer, S151 Officer / Deputy S151 Officer and the CIA continue to work closely on governance matters. The CIA is also a member of the Corporate Governance Assurance Group. Maintaining these relationships is essential to ensure that the work of Internal Audit remains focussed on the key risks, and that assurance is being targeted as required.

7. It is noted that the Internal Audit Team are seeking to recruit to four posts and become predominantly an in house service once again. Whilst there has been some success working with Deloittes, there are advantages of having an in house team that understands the culture of the organisation, and have more breadth of local knowledge of the strategic issue. The Audit Management Team will need to ensure new staff are well inducted, and their output closely monitored to ensure that the high standards are maintained, and investment in training, particularly in the area of contract audit will be essential if reliance on outsourcing is to be reduced..

8. The two areas of internal audit work that have been outsourced, Schools Audits and IT Audit have been successful, with delivery of both plans achieved to a good standard, and with both receiving very positive feedback in the post audit questionnaires.

9. One area that has been under resourced is 2011/12 is counter-fraud. As a result of staff turnover, resources were prioritised to general audit assignments. Nationally there are indicators that the risk of fraud across the public sector is increasing, and in particular low value fraud resulting from poor internal controls and management practices. The audit reports presented to the Audit Committee are beginning to highlight with more frequency internal control issues, and exposure to the risk of fraud, it is therefore essential that the Council maintains a strong anti-fraud culture. The CIA leads on counter-fraud and will need to ensure this part of the audit plan is adequately resourced in 2012/13.

Compliance with CIPFA Code of Practice

10. The Chief Internal Auditor has completed a self-assessment of compliance with the CIPFA Code of Practice. There are two areas where full compliance is not achieved:

- "2.3.1 Is the Head of Internal Audit managed by a member of the corporate management team?

  This is scored as partial compliance as the Chief Internal Auditor reports to the Deputy Chief Finance Officer, who is a member of the Extended County Council Management Team. The Deputy Chief Finance Officer also regularly attends at CCMT in her own right. Whilst not strictly compliant with the Code, this is not considered to be an issue. The objective of the standard is to ensure the Chief Internal Auditor can operate with the appropriate status and influence within the organisation. This is set out by the Chief Executive in the Chief Internal Auditor Protocol. The Chief Internal Auditor has direct access as required to the any of the Officers on the County Council Management Team, the Leader of the Council, and Chairman of the Audit Committee.

- "5.5.1 Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?"

  This is scored as not compliant as no formal arrangements are in place, with the exception of the protocol with the external auditors. This is not considered to be an issue as is reasonable to operate on a needs basis.

External Audit Reports

11. The External Auditors have not raised any material concerns regarding Internal Audit, and there is good evidence that the two functions are operating well together. As an example of joint working in 2011 Internal Audit provided senior auditor resource working under the direction and monitoring of the Audit Manager from the Audit Commission to complete a review of Severance Pay.

Reports to the Audit Committee

12. The internal audit reporting process changed in 2011/12. Progress and performance reports are now presented to quarterly to the Audit Committee, and contain the executive summaries of all the completed audits in the quarter. From February 2012, all members of the Audit Committee have access to finalised internal audit reports through a restricted area on the Council's intranet.

13. The CIA reports on emerging issues to the Audit Working Group, and on the implementation of management actions. The "emerging issues" has included audits not yet completed but where significant issues have been identified and agreed with officers. This has enabled the Audit Working Group to engage with the relevant service managers at an earlier stage to gain assurance that appropriate action is being taken. This has been very successful during 2011/12 as evidence by Chairman of the Audit Committee in his annual report noting as a key the following as a key achievement:

"Earlier engagement with management to ensure areas of unacceptable control is addressed. In 2011 we have responded promptly to Internal Audit reports with "Unacceptable" conclusions and have met with senior managers to get assurance that prompt actions are taken; E&E Highways Contract; SCS Safeguarding; SCS Alert Service; and, CEF Safeguarding (Quality Assurance Process)."

14. The CIA also takes an annual report to the Audit Committee.

15. The reports from the CIA are well received and Members are generally satisfied with the levels of information they are receiving and actively question and debate audit matters with the CIA.

16. Whilst all reports to the Committee were in the name of the Assistant Chief Executive and Chief Finance Officer, they are presented by the CIA. To protect the independence of the CIA, a protocol has been approved that makes it clear he has direct access to the Chairman of the Audit Committee should he consider it necessary. This independence is further reinforced through the CIA meeting in private session annually with the members of the Audit Committee; however, It is noted that this meeting did not occur during 2011/12. The meeting was originally scheduled for 29 February 2012, but has been deferred to 8 May 2012.

Achievement of Performance Indicators

17. The most recent performance figures reported to the Audit Committee on 18 January 2012 are not satisfactory with in particular evidence of delays in issuing draft and final reports. Since that report the priority has been on completing the Audit Plan and finalising all reports by the target date of 30 April 2012. This appears to be on target for the majority of the audits, but the CIA reports that some of the contract audit work being completed by Deloittes will not be finalised until May 2012.

18. The performance targets set are challenging but fair, so this is an area that requires attention. The CIA has stated that subject to a successful recruitment to the four vacant posts, he expects a positive impact from having predominantly an in-house team once again, evidenced by way of significant improvement in the performance against the key indicators by quarter 2 of 2012/13.

19. The process for following up agreed management actions is well established, and in general there is good engagement from Management, as evidenced by the reports to the Audit Working Group. 'Action Tracking' software was purchased in 2011/12 to make this process more efficient, but has only recently been fully implemented (April 2012). Implementation was delayed due to resources being prioritised to audit assignments; however the system is now operational, and the first system generated management reports are expected in June 2012.

Annual Survey

20. Questionnaires were sent out to 19 senior managers, (Extended Management Team), to obtain feedback on the internal audit service. The response rate of 100% provides a real measure of how effective Internal Audit is for the Senior Management in the Council.

21. A full analysis of the results is attached as appendix 1 to this report. All areas demonstrated overall effectiveness and positive impact of Internal Audit:

- 100% tending to agree or strongly agree that the service was effective in delivering improvements to the control environment.

- The highest returns indicated that 85% strongly agreed that Internal Audit was independent with only a small percentage (15%) who tended to agree.

- Whilst 100% of respondents tended to agree or strongly agreed that they had an opportunity to provide input to the planning of Internal Audit work. The numbers indicating that 'they tended to agree' was 53%, to perhaps indicate that improvements might be needed in this area.

- The least favourable response was that only 21% strongly agreed that Internal Audit reports were timely, practical and supported Managers in the management of their key risks whereas 74% tended to agree and one respondent tended to disagree. This area should be further considered by the Internal Audit service.

22. This year, the questionnaire asked for three things to start, stop and continue. Overall, the responses have been very positive across the board but key areas for further consideration were identified, including:

- Reviewing Risk Registers on a regular basis.

- Concerns about the actual terminology used on the evaluation and how these are arrived at.

- Number of suggestions for lunchtime seminars to explain the work of Internal Audit.

- The need for sharp, focussed work that is readily understandable.

- Clarity on responsibility as to who is undertaking the work and to continue to follow up on outstanding actions.

- Meeting with Directorate Leadership Teams to share learning.

CONCLUSION

23. The Internal Audit Service overall continues to be effective but there are areas that require attention, including:

- More priority should be given to resourcing counter-fraud work and delivering the Counter-fraud Plan

- Significant improvement is required in the timeliness of reporting on audit assignments.

RECOMMENDATION

The Committee is **RECOMMENDED** to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2011/12.

Peter Clark
Monitoring Officer and Head of Law & Governance

Background papers: Self- assessment CIPFA Code of Practice for Internal Audit 2006

Contact Officer: Peter Clark

Review of the Effectiveness of Internal Audit 2011/12

Summary of Results

Questionnaires were sent out to 19 Senior Managers (Extended CCMT) to obtain feedback on the internal audit service. The response rate was 100%. The survey provides a real measure of how effective Internal Audit is for Senior Managers in the Council.

I have been given adequate information on the role and purpose of Internal Audit.

Strongly Agree   69% (13)
Tend to Agree   31% (6)
Tend to Disagree 0% (0)
Strongly Disagree 0% (0)

I am consulted by Internal Audit on the key risks and critical systems in my area.

Strongly Agree   74% (14)
Tend to Agree   26% (5)
Tend to Disagree 0% (0)
Strongly Disagree 0% (0)

I am satisfied that Internal Audit is independent.

Strongly Agree   85% (16)
Tend to Agree   15% (3)
Tend to Disagree 0% (0)
Strongly Disagree 0% (0)

I am given an opportunity to comment on Internal Audit's work plans.

Strongly Agree   69% (13)
Tend to Agree   31% (6)
Tend to Disagree 0% (0)
Strongly Disagree 0% (0)

I can discuss the relevance of the planned audit activity throughout the year, and I have the opportunity to request other areas to be looked at where assurance is required.

Strongly Agree   74% (14)
Tend to Agree   26% (5)
Tend to Disagree   0% (0)
Strongly Disagree   0% (0)

On individual audit assignments, where appropriate, I have an opportunity to provide input to the planning of Internal Audit work.

Strongly Agree   47% (9)
Tend to Agree   53% (10)
Tend to Disagree   0% (0)
Strongly Disagree   0% (0)

Internal Audit reports are timely, practical and support Managers in the management of their key risks.

Strongly Agree   21% (4)
Tend to Agree   74% (14)
Tend to Disagree   5% (1)
Strongly Disagree   0% (0)

Internal Audit is effective in delivering improvements to the control environment.

Strongly Agree   69% (13)
Tend to Agree   31%(6)
Tend to Disagree   0% (0)
Strongly Disagree   0% (0)

Please list up to three things that you would like Internal Audit to START doing:

Reviewing directorate risk registers on a regular basis.
Provide ad hoc review facilities for service managers if they would like to look at a certain process.
Start providing staff in internal audit with a career path into services.

If not already done do a short summary of past year and future year Audit activities - single sheet type approach - I am aware that far more info is available if I seek it out but a single page brief for my level and the next tier may be useful in comparing and contrasting any local activity into what IA are doing for others.

If not already, formally liaising with Alexandra Bailey's team on key risks (may already happen)

It would be useful if some of the comments in reports were placed in the context of the overall position. To third parties they can seem to be slightly alarmist and can be taken out of proportion.

The categories of adequate/issues/unacceptable are quite pejorative terms. I remain unclear how the criteria which differentiates 'issues' from 'acceptable 'is applied in practice. Issues should relate to significant weakness in the internal control arrangements not just the finding of areas where improvements would increase effectiveness.

Internal Audit have recently started planning more comprehensively with my operational managers directly for their audit plan, and this has been much appreciated. Clearly we will be wanting follow through on this.

Adopting an advisory role, when requested, on the development of project plans and through project implementation processes, providing upstream advice on good design principles and risk management.

I have never been convinced that the classification of results from audits is helpful. Unacceptable is an entirely appropriate description but "Issues" is not.

Ensure that service audits are timely in terms of our overall direction of travel. Hold some briefing sessions for more junior managers and staff so that there is a wider understanding of the Internal Audit role.

More accessible information on the intranet site that demonstrates that audit is there to support managers rather than be seen as a purely compliance role.

Provide a draft statement of concerns ahead of exit meetings to enable managers to consider the accuracy of findings prior to the exit meeting.

Lunch time seminar on the working of internal audit for middle managers

The outcomes of internal audit can tend to be somewhat 'dry' and lacking in terms of understanding the broader context within which directorate business operates: this can result in recommendations that lack relevance to the operation and delivery of the business. This problem is being exacerbated in the current climate of rapid changes in policy and operational matters: at times we are chased on recommendations that are no longer relevant to the business.

Manage processes so that they have a clear beginning, middle and end and do not extend over long periods.

Before audits commence, pull together the key teams/workers (or representatives) whose work is being audited and explain the process/purpose etc of the audit + timeframes

Think more about how the audit can be done 'with' rather than 'to' services as

this will help drive home and embed any identified shortfalls/non compliance.

No surprises in the report. If doing 'with' shortfalls should be very clear to services during the audit.

I meet regularly with Audit Team Management to plan annual activity and receive quarterly performance

Please list up to three things you would like Internal Audit to STOP doing:

No adverse comments in this area. I find the service, and those who work within it, excellent.

Nothing specifically. The closer they are able to work with us operationally the better, as they can be a real help to us as an independent view.

Do not know enough about what they do to comment upon what they should stop.

On occasion the tone of the finalised report does not reflect the tone of discussions with management team during exit interviews resulting in management at times being surprised at a more critical report than anticipated. It may be useful therefore for the auditor to provide a draft RAG status against scope headings at the exit interview.

Asking several managers to agree a report - not always clear who will take overall responsibility for the delivery of the actions - I accept this is something we need to discuss within the DLT

I meet regularly with Audit Team Management to plan annual activity and receive quarterly performance.

Please list up to three things you would like Internal Audit to CONTINUE doing:

Continue being responsive and flexible to individual needs (e.g. based on the work that IA did for our FRS contingency planning activities).

Certainly continue to spend time with senior managers looking at future areas to audit. This approach ensures that areas which may not be obvious are discovered and covered. It also ensures confidence and co-operation.
I find Internal Audit really adds value and can be utilised as evidence with third parties of an organisation which is not standing still and seeks to continuously improve performance and standards.

Providing an excellent service with committed staff...

Again it is in working alongside operational managers, highlighting that independent view. I appreciate their understanding of the business, which increases their relevance and impact.

The engagement with the Social and Community Services Directorate Leadership team is good and supports planning on internal audit involvement in key risk areas. Engaging with senior leadership teams in this way should continue.
The supportive approach by Internal Audit is positive and creates an open approach. Therefore this supportive culture should be maintained.
The challenge and scrutiny provided by Internal Audit appears to me to be at the right level.

Helpful constructive challenge

Ibid

Consulting with the senior team at all stages of audit.
Following up outstanding actions via Directorate Leadership teams.
Being an independent sounding board - face to face sessions are very valuable.

Working closely with Senior Management in a supporting role.

Building relationships with key staff
Explaining the purpose of their work
Consulting with managers on what areas to audit

Continue the strong working relationship that we have in terms of quarterly planning meetings which gives me the comfort that there is the ability to shape/inform their work programme

Clarity in relation to audit specification and brief and opportunity to comment and be listened to in areas of disagreement.
Shared but independent approach to improving services and accountability.

Alerting responsible member of DLT as soon as serious concerns emerge

Support around action plans

Attending children's management team to share forward planning and consulting re safeguarding areas for inspection.

Open and honest communication.

I meet regularly with Audit Team Management to plan annual activity and receive quarterly performance

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Division(s): N/A

AUDIT COMMITTEE –8 May 2012

INTERNAL AUDIT
2011/12 PROGRESS REPORT AND 2012/13 QUARTER 1 PLAN

Report by the Assistant Chief Executive and Chief Financial Officer

INTRODUCTION

1.   This report covers the following:

   • Status of 2011/12 planned audits

   • 2012/13 Quarter 1 Internal Audit Plan

   • 2012/13 Counter-fraud Plan

STATUS OF THE 2011/12 PLANNED AUDITS

2.   The last progress report was presented to the Audit Committee on 18 January 2012. The report highlighted delays in the performance of completing audits. In the final quarter priority has been given to completing the planned audit work by the target date of 30 April 2012. Whilst for the majority of the plan this will be achieved, there are a small number of audits that will not be completed until the middle of May 2012.

3.   The following table details the audits completed since the 18 January 2012. Summaries of the conclusions from these audits are attached as Annex 1 to this report.

Directorate	Audit	Opinion
E&E	Home to Schools Transport contracts	Unacceptable
	Energy Strategy	Issues
	Highways and Transport Contract	Issues
	Pensions Fund	Acceptable
	Governance and Financial Management Audit of Facilities Management Knights Court	Unacceptable

E&E OCS	System Mapping of Imprest Accounts and Procurement Cards	Issues
	Governance and Financial Management Audit – Health & Safety Management Letter – follow up of 2010/11 management actions	n/a
	Pensions Admin	Acceptable
	Schools Support	Acceptable
	Government Code of Connection	Issues
	Access to Systems	
CEF	CEF Governance and Financial Management – Project Management	Issues
	CEF Governance and Financial Management – East Oxford Hub	Issues
	Schools Assurance - Schools Capital Accounting	Issues
	Early Years – Delivery of Savings Plan	Issues
	CEF Contract Management Audit – Integrated Children's Community Therapies Services Contract	Issues
	CEF Governance and Financial Management – Overall Directorate Report	Issues
SCS	SCS Governance and Financial Management – Trading Standards	Issues
	SCS Contract Management Audit: SCS Carers Support Service	Issues
	Contract Procurement & Contract Management audit – SCS & E&E Introduction of RFID in Libraries	Issues
	Contract Procurement & Contract Management audit – SCS & E&E Redbridge Hollow	Issues

	Contract Procurement & Contract Management audit – SCS Learning Disabilities Specialist Health	Issues
	Contract audit – Commissioning Reablement Contract	Issues
	S&CS Governance and Financial Management – Overall Directorate Report	Issues
<u>CEO</u>	Governance and Financial Management Audit – Risk Management Corporate Findings Management Letter	Issues
	Governance and Financial Management – Authority and Governance Corporate Findings	Issues
	Business Strategy Programme	Issues

4.   There are two audits with opinions of "unacceptable level of control. The first, Home to Schools Transport Contracts, was discussed at the AWG on 5 April 2012. The Manager attended the meeting and gave positive assurance that a number of actions have already been implemented, and others are on track in accordance with the timescales set. A follow-up audit is being scheduled for Q2.

5.   The second case relates to the financial management audit of Knights Court. Management have responded very positively to the audit, and initiated an action plan that should be completed by the next AWG on 21 June. The Manager of Knights Court has been invited to attend that meeting to assure the Group that actions have been implemented and are effective.

6.   The following audits will be completed by 18 May 2012:

Directorate	Audit	Current Status
EE	Governance and Financial Management – Overall Directorate	Draft Report
EE OCS	Procurement Strategy and Governance	Testing
	Compliance with Contract Procedure Rules	Testing
	Accounts Payable	Testing
	Payroll	Draft Report
	Accounts Receivable	Testing
	Capital Accounting	Exit Meeting
	General Ledger & Main Accounting	Testing
CEF	Review of Early Intervention Hubs	Draft Report

	Part 2	
CEO	Governance and Financial Management – Overall Directorate	Draft Report
	Governance and Financial Management – Budgetary Control – corporate findings	Draft Report

2012/13 QUARTER 1 PLAN

7. The plan for the first quarter of 2012/13 is attached as Annex 2 to this report.

8. It is expected the audits identified will extend into Quarter 2 as the team is not fully resourced at present. A Principal Auditor remains on maternity leave and is not expected back until July 2012. The three vacant Senior Auditor posts are currently in the recruitment process. Interviews were scheduled for week commencing 26 April 2012. An update will be provided at the meeting. Agreement has been obtained through the job evaluation process for a career grading of the vacant Principal Auditor post, and this will be advertised week commencing 30 April 2012.

9. The contract for Computer Audit ended on 31 March 2012. A new contract is currently out to tender with a closing date of 18 May 2012, and a planned commencement date of 1 June 2012.

10. To provide additional support with the delivery of the Q1 Plan, a "Principal Auditor" from Deloittes has joined the team on a secondment basis that may extend into Q2 depending on the outcome of the recruitment.

2012/13 Counter-Fraud Plan

11. Attached as Annex 3 to this report is the Counter-fraud Plan for 2012/13. This area of internal audit activity was under resourced last year as priority was given to assurance based audits; however, Counter-fraud will be given a higher priority during 2012/13. The resourcing of the plan will be finalised once the outcome of the recruitment is known. An Audit Manager has been assigned to manage this work, and similar activity in Buckinghamshire County Council to provide a consistent approach. Whilst it is not known at this time who the Counter-fraud work will be assigned to, it is expected that some training will be required for both the team as a whole, and for individuals; funding is available for this. It has already been identified that team training is required for better utilisation of SAP reporting, and also the use of IDEA, which is software designed for data analysis.

12. In the autumn 2012, the biennial National Fraud Initiative data matching exercise commences, and the Council will be required to submit various data sets. The output is usually available the following January.

RECOMMENDATION

The Committee is **RECOMMENDED** to:

a) note the report; and

b) approve the Quarter Plan and the Counter-Fraud Plan

Ian Dyson
Assistant Head of Finance (Audit)

Background papers: None.

Contact Officer: Ian Dyson 01865 323875

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ANNEX 1 – Summary of Final Reports Issued since previous Audit Committee report (18 January 2012):

E&E

Governance and Financial Management Audit of Facilities Management Knights Court (Unacceptable)

Our programme of governance and financial management audits includes establishment based reviews, which for E&E included Facilities Management Knights Court. The audit has resulted in an overall conclusion of UNACCEPTABLE.

The audit focused on a review of the financial controls in place within the E&E finance team who operate the council's largest imprest account with an advance of £35,000, supporting both CEF and SCS Social Care team clients. The Finance team also administer Money Management payments. It should be noted that the Finance Team at Knights Court provide a finance support service to Area Teams and their clients in a stressful environment with high client demand, and no significant issues were identified with their financial recording. The report has highlighted issues in respect of the transactions the Finance Team process on behalf of CEF and SCS and therefore a number of management actions have been agreed with CEF and SCS to address the weaknesses identified.

During review, audit noted large transactional activity and sums going through the imprest account. For the period April 2011 to December 2011 a total of 6,679 transactions totalling £304,253 of financial activity has been processed through the imprest account. (A recent update from the Corporate Facilities Manager is that approx. £500k will be processed during 2011/12). Due to the lack of financial protocols/procedures in place for Facilities Management and Social Care teams, it was difficult for audit to establish whether the frequency/amounts of claims paid was necessary and in accordance with standard protocols. From review of financial activity we were able to ascertain examples that the imprest account at Knight's Court appears to be utilised by CEF and SCS staff in preference to alternative methods of procurement such as procurement cards, SAP/SRM and reimbursement through central submission of a Travel & Expense claim form to Payroll.

We also noted several deviations from standard council financial practice which include; petty cash is provided in advance of purchases, post-authorisations of expenses; and supporting receipts provided on an adhoc basis. There was also a significant amount of cash paid to landlords, for example for the period 01/10/11 – 16/01/12 this totalled £7,800. Overall the level of demand for petty cash at Knight's Court from imprest and money management client results in both bank accounts being frequently overdrawn.

It was found that there is outstanding lettings income of £33,000 which cannot be collected until the outstanding lease agreement has been renewed. A car parking agreement for Knight's Court Adult Social Care (ASC), is administered locally by the ASC Team, and to date sums outstanding from OCC officers total £664.

Six of the management actions raised in the 2009/10 audit of Knights Court (including Foxcombe Court and Calthorpe House) have not been fully embedded / implemented and have been re-stated in the report.

Management actions have been agreed with the Corporate Facilities Manager and all three Finance Business Partners. The relevant Deputy Directors were copied in at draft report stage and both the Deputy Director, Childrens Social Care and Deputy Director, Adult Social Care provided positive management responses to support the culture change required within their teams to improve procurement practices going forward.

OCS

System Mapping of Imprest Accounts and Procurement Cards (Issues)

Imprest Accounts

It was identified that authorised signatories on imprest accounts are not included in directorate schemes of delegation as required by Accounting Manual, Banking Control Procedures. It was also noted that there is no reference to this requirement in the corporate guidance on content of schemes of financial delegation for directorates.

As part of other Internal Audit work, examples have been identified where imprest accounts have gone overdrawn for significant periods of time, where claims were not being submitted on a regular basis / in accordance with Accounting Manual Banking Control Procedures and where inappropriate use of imprest accounts had been identified. Although, where these issues had been identified by Banking Control, it was reported that these issues had been raised with the service, this had not been formally documented and had not been escalated appropriately. It was found that there was no formal escalation process in place.

The Accounting Manual, Banking Control procedures, do not cover the requirement to ensure that there is appropriate segregation of duties within the system for administering and authorising imprest accounts. Weaknesses in this area have been highlighted by other Internal Audit work.

It is planned that all Council imprest accounts will move to being reimbursed by upload to SAP, processed by the Processing and Control Team, by the end of the first quarter of 2012/13. The process is currently being developed and finalised, but should ensure that all claims are appropriately authorised in accordance with the relevant Scheme of Financial Delegation and that appropriate segregation of duties is in place (i.e. that the authorising officer is independent of the officer compiling the claim).

Procurement Cards

It was identified that there was a lack of formal escalation procedures within the Banking Control Team where inappropriate use of procurement cards / non-compliance with the terms and conditions of use of procurement cards was identified. Examples of non-compliance were identified by Internal Audit as part of other pieces of work. Whilst it was found that the Banking Control Team were identifying and raising non-compliance with the service, there was no formal record of this and no consistent process for escalation and notification of these issues to senior management / finance business partners.

A gap in control was identified in relation to the way in which cost centre manager review of procurement card expenditure is recorded. Currently, cost centre managers are expected to review monthly statements for cardholders procurement cards and sign and retain a hard copy as evidence. There is no central confirmation of or access to this review. This seems to be becoming more significant as it was noted that procurement card expenditure has increased in the last financial year by more than £1M (noted that this increase is inclusive of Brakes and 3663 embedded cards used by Food With Thought).

Governance and Financial Management Audit – Health & Safety Management Letter – follow up of 2010/11 management actions

As part of our programme of Governance and Financial Management audits, to establish whether effective arrangements are in place for the area of Legislation, the area of Health and Safety is covered. The audit last year included a review of the processes in place to ensure all statutory and mandatory health and safety training is completed and that actions raised by health and safety visits were monitored for implementation. It was agreed for 2011/12 that due to the Corporate Health and Safety Review undertaken for CCMT during 2011/12 and the resulting restructure and redesign of how the work of the Health, Safety & Wellbeing Team will be delivered from April 2012 that detailed review of the adequacy and effectiveness of controls operating in this area will be deferred until 2012/13.

Some of the planned improvements in this area include; Review of Health & Safety Policy structure and framework. Responsibilities to be reviewed and clearly set out in Part 2 Policy. Changes in responsibility for monitoring HSW compliance of property based risks. More robust H&S arrangements in commissioning and contracting. Introduction of Health, Safety & Wellbeing Business Partners for each Directorate.

Therefore during 2011/12 detailed testing or review has not been undertaken. Instead follow up on the implementation progress of actions agreed in 2010/11 was undertaken. This work identified:

Health and Safety reports to Directorate Leadership Teams (DLTs) now include details on which managers have / have not attended the mandatory manager's health and safety training. However an additional finding has been noted regarding the regularity of these reports being discussed at DLTs.

Actions agreed in respect of improvements to the training matrix have been reported as implemented. These have not been tested in 2011/12 as further improvements are also planned in this area, which include Learning and Development producing a new competency profile tool and tier 3 managers to receive training information per member of staff on a quarterly basis. This will be reviewed as part of the 2012/13 audit.

The monitoring of implementation of health and Safety actions has not been implemented. This has been due to a delay with the system being introduced within Internal Audit, which Health and Safety will be looking to utilise.

A new action has been raised for 2011/12 which clarifies the escalation process to Senior Management within the Directorates of potential / actual H&S issues identified by the Health, Safety & Wellbeing Team.

No overall conclusion has been formed for 2011/12 for this area as the audit and detailed testing has been deferred until 2012/13.

Pensions Admin

Our overall conclusion is ACCEPTABLE. There is a sound system of internal control in which risks are being managed to acceptable levels.

We examined the identification, examination and management of service and operation risks. From audit testing it was determined that the controls in place are adequate and working effectively. From audit testing, we found that the controls in place for physical and logical Pension Administration systems access and maintenance of the hardware and software that is used in operation were effective. We also examined the adherence to relevant statutory regulations, which included updates to the LGPS, training of the Pension Administration team, documentation for guidance to complete tasks and adequacy of the resources available. No issues were identified.

We examined a number of areas in relation to the scheme members which included new members, transfer of membership, active members and other changes to membership. From audit testing it was determined that the controls in place are adequate and working effectively. However it was identified that there was incorrect application of checklists produced for guidance for the team. We examined the reconciliation of records for all scheme members, process for admitting new stakeholders into the scheme, separations of duties, risk assessment of admitted members and monitoring of sufficiency of members for the scheme. From audit testing it was determined that the controls in place are adequate and working effectively.

Schools Support

Our overall conclusion is ACCEPTABLE. There is a sound system of internal control in which risks are being managed to acceptable levels.

The guidance available and support provided by the Schools Support Officers is sufficient to ensure that budgets are effectively set and monitored throughout the year. Regular monitoring takes place, with an appropriate escalation process in place for any schools that do not submit the relevant monitoring reports. The Financial Manual of Guidance is available to all schools on the Intranet, however when reviewing the guidance it was identified that two areas were still under review and not available.

Analysis of the combined deficit figure of the schools submitting a negative budget over the last four financial years has shown a significant reduction from £2,735,284 to £1,025,543 (This financial years projected outturn, forecast earlier in the financial year),

thus highlighting that the Schools Support Team have improved the service provided, and that this improvement is having a positive outcome.

The Schools Support Team have been proactive in seeking feedback for the service provided and have already set to work responding to the findings. Additional training sessions have been provided in light of support needs raised in the survey.

The formula funding allocation has been devolved to schools and appropriately allocated, to those schools reviewed, in line with the formula calculations.

Six of the seven management actions arising from the previous audit report have been fully implemented. Considerable progress has been made on implementing the remaining action, however this year's audit identified the same issue. As the specifics of the finding are different the action has been closed and a new action raised in its place at a lower priority. The action related to keeping the various forms of guidance up to date on the Intranet.

Government Code of Connection

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved.

There are defined responsibilities within ICT for managing the work associated with CoCo compliance. An external firm of consultants, Hytec, undertook an assessment of CoCo compliance and the information was used as a basis to make a formal submission against version 4.1 of the CoCo standard. The submission was made in October 2011 and OCC has yet to hear whether it has been approved or rejected; a formal assessment of the submission will be carried out by CESG in January 2012.

The controls listed in the CoCo standard are either "musts" or "recommended". The former are mandatory controls whilst the latter are deemed to be desirable. Our review focused on the mandatory controls and sample testing of these has identified a number of areas where controls are not operating in accordance with CoCo requirements, or the compliance information supplied by ICT. Furthermore, whilst some controls are correctly stated as only being "partially" implemented, there is no formal action plan in place to manage and monitor the outstanding work required to achieve full compliance.

ANNEX 1

CEF

CEF Governance and Financial Management – Project Management (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to CEF Project Management:

- Project Initiation and Approval
- Project Resourcing
- Project Governance
- Project Register
- Risk Management

The audit did not review outcomes of the specific projects sampled.

Our overall conclusion is ISSUES. The CEF Directorate do not have a formal lead in place for CEF project management, responsible for monitoring/challenging that CEF projects are following the OCC Project Management methodology and delivering agreed project outcomes. Directorate governance arrangements in place do not ensure compliance with the OCC Project Management methodology and have resulted in several deviations from standard as noted below, and resulting in two management actions restated from the 2009/10 Project Management audit which have not been fully embedded/implemented. These actions were originally assigned to the CEF Business Manager and have been restated in the report.

As part of the CEF Project Management audit, we reviewed three projects to ascertain if the OCC project management methodology had been followed. The overall conclusion is based on the review of the following CEF projects; Cross Regional and Education and Residential Provision, FWi/Swift Integration, and FWi Management Information reporting and the findings confirm the lack of overall monitoring / assurance arrangements.

From review of the three projects we found that no Project Assessment Questionnaires were available for any of the three projects reviewed, that the FWi Management Reporting project has no specific project documentation to enable monitoring of the project deliverables and outcomes, project documentation is not stored centrally, no separate project management training costs identified, individual project risk registers and project progress reports are not routinely completed and reviewed, the overall CEF directorate project risk register is incomplete and the OCC online project register is not utilised by the CEF Directorate.

Individual management actions have not been agreed against each of the weaknesses identified instead overall actions to review and improve the governance arrangements for the management and review of projects within CEF has been agreed.

It should be noted that Internal Audit also undertook during 2011/12 a review of the project management and financial structure of the introduction of the new Early Intervention Service (Hubs).The overall conclusion being Acceptable.

CEF Governance and Financial Management – East Oxford Hub (Issues)

Our programme of governance and financial management audits includes establishment based reviews, which for CEF included the audit of East Oxford Hub.

Our overall conclusion is ISSUES. Internal Audit acknowledges there has been significant upheaval within the service following a restructure in June 2011. The restructure has moved prevention work into the Early Intervention Hubs and this hub was started in September 2011. The audit report therefore reflects the current governance arrangements within the hub and looks at the period from its start up to the time of audit.

The main weaknesses identified were:

Whilst it was found that budget monitoring was taking place regularly with the management accountant, it was noted that hub management were not able to use SAP to interrogate data as and when they needed because they had not the training to do so.

Discrepancies were found between the SAP records and the local records on sickness absence and we understand they were not receiving and reviewing the sickness monitoring report.

Discrepancies were found between the CRB records held centrally by the Workforce Information team and the local records held by the hub, examples were identified where the two records did not match. The Early Intervention Service is not currently utilising the establishment data, as the primary source document to monitor CRB data. However whilst the monitoring records were incomplete no instances were identified of staff or volunteers without a CRB.

Issues were also found relating to equipment used by the service, assets were not included on the inventory and there were no records of equipment taken off site.

Schools Assurance - Schools Capital Accounting (Issues)

The audit activity focused on the following key risk areas identified in the processes relating to School's Capital Accounting:

- Regulatory Framework for Devolved Formula Capital Allocations
- School's Compliance with the framework for Schools Capital Accounting
- Monitoring of compliance with the framework for Central Capital Accounting

Our overall conclusion is ISSUES. There has been a significant reduction in the level of capital funding available to schools for 2011-12. Each school receives a lump sum of £4,000 and between £11.25 and £33.75 per pupil. The overall amount of capital directly available to schools is therefore just over £2.3M for 2011-12. Schools also received for 2011-12 a one off un-ring fenced school capital maintenance grant of £7.6m and £16m through the CEF Capital Programme These funds were centrally managed and controlled by the Council and accounting entries to the schools take place at the end of each financial year. An audit of the Capital Programme and Capital Accounting is already part of the 2011-12 internal Audit plan and school capital allocations have been considered as part of this audit.

The main issues found were surrounding the allocation of revenue expenditure to the Capital budgets of individual schools. Sample testing identified a significant number of instances where expenditure below the £2000 de minimus level had been coded to capital cost centres. Monthly budget monitoring processes are carried out by each individual school and monitored by the central support team on a monthly basis however we found coding errors which are more than a month old.

Early Years – Delivery of Savings Plan (Issues)

The Savings Plan was to deliver £4 million savings over a four year period starting in 2011-12. Service provision for Early Years has changed significantly both in terms of the government funding and the way in which all services under Children Education and Families Directorate are to be delivered in the future. Whilst it is clear that the project was not being dealt with in the way expected at the start we can see that progress has now been made to provide more certainty on the future delivery of the remaining £2.5 million to be delivered after this year's £1.5 million mainly achieved through salary savings.

It is also clear that in order to deliver savings across the whole of the directorate that a significant change in the delivery model has been made and we can see that the process of consultation taking place at the start of our work contributed to the uncertainty and the difficulties we faced in trying to obtain supporting documentation and direction on progress. This was then exacerbated by the staffing reorganisation taking place following this, which delayed the completion of the audit. Internal Audit acknowledges that this audit was undertaken at a very difficult time for the service.

As a result of this at the start of the audit , strategic management leads who we would have expected to having been managing this project had left and there was a certain amount of confusion as to what was going to happen regarding progressing the proposed savings. The Early Years' Service has gone through a complete transformation during 2011/12.

Management actions have been agreed to ensure clarity of budget responsibilities down to management tier 3, budget monitoring to provide forecast and explanation of variances, with quarterly strategic budget overview meetings and Business Plans to detail how any residual funds will be spent on outcomes and highlight risks to delivery of savings.

CEF Contract Management Audit – Integrated Children's Community Therapies Services Contract (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to the contract management system:

- Procurement (assessing value for money);
- Contracts and Variations to Contacts;
- Referrals;
- Quality Control (Receipting of Service Provided);
- Complaints, Deficiencies in Provision, Rectification and Default;
- Payments;
- Contract Performance Monitoring, Management Reporting and Performance Management; and
- Budgetary Control.

Our overall conclusion is ISSUES. There are weaknesses in that the performance indicators linked to achieving the Council's strategic objectives are not clear and may be insufficient. Evidence in support of the indicators is not accurate due to RiO (an electronic patient record system) inputting and coding issues. The Contract commenced in April 2011 but payment did not start until August 2011 and was made to the wrong account until November 2011. This has now been corrected.

<u>SCS</u>

SCS Governance and Financial Management – Trading Standards

Our programme of governance and financial management audits includes establishment based reviews, which for SCS included the audit of Trading Standards.

Our overall conclusion is ISSUES. The main issues identified were that; the Quality Management System containing Trading Standards policies and procedures requires review and rationalisation to ensure that it reflects current practice. The cost centre structure requires review to reflect service requirements and aid budget monitoring. Errors were noted on a sample of payroll claims. Discrepancies were noted from review of local sickness absence records and establishment sickness monitoring data. Printer and vehicle lease arrangements require review and rationalisation to ensure that they obtain best value for the council. One procurement card is being utilised by multiple officers which does not comply with the OCC procurement card conditions of use and guidance. There is no independent review of the imprest accounts, the account includes a signatory of an officer who left over 18 months ago and the current office imprest advance is too high for service requirements.

SCS Contract Management Audit: SCS Carers Support Service (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to the contract management system:

- Procurement (assessing value for money);
- Contracts and Variations to Contacts;
- Raising Awareness;
- Data Quality (Relevance and Validity to Measuring Outcomes);
- Information Flows (Social and Healthcare Team, Age UK and the Contract Monitoring Team);
- Data Security;
- Payments;
- Contract Performance Monitoring, Management Reporting and Performance Management; and
- Budgetary Control.

There are weaknesses in that the effectiveness of marketing campaigns is not being measured. Evidence in support of the achievement of targets is not being obtained from the service providers and verified for accuracy and completeness. Additionally, new carers identified are not being recorded on SWIFT in all cases as there are data quality concerns and this may be understating the attainment of targets leading to incorrect management decisions being made. Sample testing of e-mails identified that whilst all were password protected the names of individuals were visible in the title to attachments to them.

Contract Procurement & Contract Management audit – SCS & E&E Introduction of RFID in Libraries (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to the contract management system:

- Project Funding, Approval, Accounting and Reporting;
- Letting of Contracts;
- Selection of Contractors;
- Tender Receipt, Evaluation and Reporting;
- Form of Contract and Contract Conditions;
- Subcontractors;
- Performance Bond, Parent Company Guarantees, Contractor's Insurances and Other Matters;
- Project Management (Reporting Progress, Cost and Quality);
- Compensation Events, Provisional Sums, Contingencies and Other Costs;
- Valuations, Interim Payments and Estimates of Final Costs;
- Delay Damages (Liquidated and Ascertained Damages) for Non-completion of Works;

- Contractual Claims (Delay & Disruption/Acceleration);
- Snagging Works and Defects Liability Period;
- Construction (Design and Management) Regulations (CDM Regs);
- Post-Completion Reviews; and
- Contract File and Structure.

Our overall conclusion is ISSUES. One area of weakness has been identified in ensuring that the Council is protected from on-going defects related to the installation of an extension to the electrical system as there is no evidence that the electrical installation certificate has been obtained and forwarded to the client for their building manual. An action to address this has been agreed by Environment and Economy.

Contract Procurement & Contract Management audit – SCS & E&E Redbridge Hollow (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to the contract management system:

- Project Funding, Approval, Accounting and Reporting;
- Letting of Contracts;
- Selection of Contractors;
- Tender Receipt, Evaluation and Reporting;
- Form of Contract and Contract Conditions;
- Subcontracting;
- Performance Bond, Parent Company Guarantees, Contractor's Insurances and Other Matters;
- Project Management (Reporting Progress, Cost and Quality);
- Compensation Events, Provisional Sums, Contingencies and Other Costs;
- Valuations, Interim Payments and Estimates of Final Costs;
- Delay Damages (Liquidated and Ascertained Damages) for Non-completion of Works;
- Snagging Works and Defects Liability Period;
- Contractual Claims (Delay & Disruption/Acceleration);
- Construction (Design and Management) Regulations (CDM Regs);
- Post-Completion Reviews; and
- Contract File and Structure.

Our overall conclusion is ISSUES. There are weaknesses in producing a viable project contingency amount; a project risk register was produced and maintained by the Project Manager in accordance with recommended practice however, examination of it identified that risk allowances had not been calculated for each risk. There are also weaknesses in formally entering into contract;

the actual contract start date was agreed as 3 October 2011 and formally entering into contract remains outstanding although it is noted that a letter of acceptance has been issued.

Contract Procurement & Contract Management audit – SCS Learning Disabilities Specialist Health (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to the contract management system:

- Procurement (assessing value for money);
- Contracts and Variations to Contacts;
- Referrals;
- Quality Control (Receipting of Services Provided);
- Complaints and Deficiencies in Provision;
- Payments;
- Contract Performance Monitoring, Management Reporting and Performance Management; and
- Budgetary Control.

Our overall conclusion is ISSUES. There are weaknesses in that the contract performance indicators are not clearly linked to the seven domains for service delivery stipulated by the Contract. Whilst referrals are being made to the Community Teams, for the sample tested, they were not always allocated to an individual within the team. Additionally, actions at contract meetings do not always have deadlines and overall performance of the Contractor is not apparent from the minutes of monitoring meetings.

Contract audit – Commissioning Reablement Contract (Issues)

The audit activity focussed on the following key risk areas identified in the processes relating to commissioning:

- *Service Plan/Strategy;*
- *Commissioning/Category Action Plan;*
- *Outline Business Case/Options Appraisal;*
- *Procurement Strategy/Proceed to Procurement; and*
- *Final Business Case/Proceed to Award of Contract.*

Our overall conclusion is ISSUES. The audit has identified that there is no overall defined governance structure describing the shared and separate roles and responsibilities of the Council and JMG in respect of decision making regarding commissioning and procurement of Council led services. Elements of a commissioning action plan for the Re-ablement service were produced by the

Core Group for Rehabilitation and Re-ablement, however the Group was disbanded in November 2010 after the decision to transfer management of the Re-ablement Service to Community Health Oxford was taken and an overall commissioning plan was not developed and implemented.

The audit also identified that the CPU596 Contract Award Recommendation report was not formally signed off.

<u>**CEO**</u>

Governance and Financial Management Audit – Risk Management Corporate Findings Management Letter (Issues)

To establish whether effective governance and financial management arrangements are in place for the area of Risk Management, the audit undertook detailed reviews of the directorate and immediate supporting service risk registers. This review of risk management for 2011/12 did not include detailed testing of risk management processes at service base level. The findings from each directorate review have been fed into the respective directorate reports, this details the corporate issues identified.

It should be noted during 2011/12 that there was significant restructuring within the Strategy and Communications Team, which has resulted in a change of Senior Policy and Performance Officer with responsibility for risk, and that changes have also now been made within Directorates with all new risk leads now in post.

The overall conclusion is ISSUES. This incorporates the findings from review of Risk Management within each directorate.

The Risk Management Strategy has yet to be completely updated and formally approved, however it is acknowledged that work is underway to combine the elements of risk management, project management and performance management and rebrand it as Business Management, following that, formal up to date guidance is due to be issued, which will cover risk management.

All risk registers were found to be following the corporate format and had all been scored and allocated target scores, by which to monitor the risks against and work towards. Across the directorates this was found to have been utilised with varying degrees of success. Some were not actively progressing risks to the target risk scores, as was evident by the lack of movement in risks throughout the year (the exception to this being the E&E directorate, where positive movement in risk score was noted). This could not be evidenced as having been met by any form of challenge from the relevant risk lead. From a corporate point of view informal review and challenge of the risk registers was fed back to the relevant risk lead/DLT, however due to a lack of resource detailed analysis does not take place. Following the informal challenge there is a lack of evidence to show whether the risk registers have been updated as a result of this.

Progress against the red CCMT risks from the respective directorate risk registers is presented to CCMT on a quarterly basis, along with an update as to any progress made. During the third quarter the results of the CCMT risk identification workshop were fed back, these are yet to be fully considered and the subsequent directorate risk registers updated having looked at each of them.

There was little evidence of any significant update or review of the CCMT strategic risk register, however the risk is partially mitigated in that management of the business and the subsequent risks to that are actively discussed during the weekly meetings.

There is no corporate guidance in place on the expected process of risks to be deleted, this subsequently has resulted in differing working practices across the directorates, some of which have the potential to lose sight of potential issues, which if not continually managed correctly could result in the risk occurring. This was raised as a management action from the previous audit report.

Four management actions were raised in the last corporate report, of which one in respect of risk scoring has been implemented, however found not to be working effectively in all directorates. Specific actions have been agreed within the Directorate reports to address this. One in respect of guidance on the removal of risks has not been implemented and been re-stated in the corporate management letter. One in respect of Training has been partially implemented. Again specific actions have been raised within the Directorate reports. The final action was in respect of the published strategy, this has been fully implemented.

Governance and Financial Management – Authority and Governance Corporate Findings Management Letter (Issues)

As part of the Governance and Financial Management Audit, the area of Authority and Governance was reviewed.

The overall conclusion is ISSUES. This incorporates the findings from review of Authority & Governance within each directorate. It is noted that there have been considerable improvements in a number of areas since the 2010/11 audit. Testing showed that the SAP Approvers Matrix is being reviewed and updated on an on-going basis by Management Accounting and is now much more accurate that it was this time last year, processes for updating SAP Approvers have been reviewed and updated and the format of the SAP Approvers Matrix itself has been updated to make the use of active and passive substitutes more visible.

Testing identified that the review and updating of directorate schemes of financial delegation is still not taking place with the frequency that it should be within CEF and E&E. Schemes of Financial Delegation currently in place are not yet fully compliant with corporate guidance on content. There are still some inconsistencies between the SAP Approvers Matrix and the approved Schemes of Financial Delegation which are not due to timing differences / the published schemes becoming out of date. It was noted that the "person responsible" field in SAP is still not being maintained effectively, despite direction from SFG that it should be. It is unclear why this is the case, but management actions have been agreed with directorates to fully review and update this.

Although SFG have discussed and clarified how the approval process should work in relation to making changes to SAP Approvers, further discussion is required in relation to the level at which Management Accountants have delegated authority to approve amendments to SAP authorisation levels and therefore, in effect, amendments to delegated financial authority,

ANNEX 1

Testing identified that there are issues across directorates with the use of active and passive substitutes in SAP. It is noted that corporate guidance on the content and maintenance of schemes of financial delegation clearly specifies how substitutes on SAP should be used and management actions have been agreed with directorates to address the issues identified.

S&CS GOVERNANCE AND FINANCIAL MANAGEMENT AUDIT – OVERALL DIRECTORATE REPORT (ISSUES)

As part of the Governance and Financial Management Programme for 2011/12 testing has been completed at both Corporate and Directorate level. It has also included auditing a sample of establishments/teams across the organisation to test compliance with key governance and financial processes.

For S&CS Directorate our overall conclusion is ISSUES. Issues were noted in all of the following areas: Authority & Governance, Business Continuity, Risk Management, Performance Management, Financial Management & Human Resources.

All actions from the S&CS Governance & Financial Management audit 2010/11 have been either reported as implemented or tested and confirmed as implemented.

Individual Governance and Financial Management Audits were undertaken in two areas within S&CS; Trading Standards and a sample of managers from Adult Social Care teams. A separate report for Trading Standards has been issued and finalised. The findings from both these areas contribute to the individual conclusions against each of the audited risk areas.

A sample of teams was identified from S&CS Adult Social Care (from Locality Team West, Commissioning & Contracts LD Team, City Area Service, City LD Team) and compliance with processes for HR, Payroll, Procurement and Imprest Accounts tested.

A further establishment audit is referred to in this report which was undertaken at Facilities Management, Knights Court Office as part of the E&E Governance & Financial Management audit. The audit had the overall conclusion of Unacceptable. Whilst Knights Court is an E&E office, weaknesses identified relate to the processing of transactions on behalf of both S&CS and CEF. A number of management actions were agreed by the S&CS directorate and are therefore included in this report and contribute to the level of assurance provided to the Director for S&CS.

The findings in respect of S&CS Performance Management are summarised within the overall directorate report, however this has already been reported on separately as the work was completed earlier in the year.

Authority & Governance

It was identified that both the S&CS and OFRS Schemes of Financial Delegation followed the corporate guidance issues in relation to content and format, with the exception of the paragraphs on the use of substitutes in SAP. Whilst both schemes referred to the use of substitutes, there was no differentiation between active and passive substitutes.

From a comparison between the scheme of financial delegation and the SAP Approvers Matrix, 1/5 officers with financial approval permissions on SAP did not have a matching approval level in the Scheme of Financial Delegation. The person identified had a £200K approval limit on SAP, but should only have had £25K approval limit.

Even though it was found that a great deal of work has been undertaken, by Management Accounting and by ICT, since last year's audit to update the SAP Approvers Matrix, it was identified that there are still numerous errors in the person responsible field. SFG have confirmed that this field is to be maintained and so requires further review and updating.

Use of active and passive substitutes on SAP was also reviewed during the audit. A number of examples were identified where substitution arrangements had been set up which were outside of the arrangements specified corporately in relation to the use of substitutes.

An establishment audit of Facilities Management, Knights Court also identified instances of financial approvals being made outside of the approved Scheme of Financial Delegation.

It was identified that the structure charts currently published on the Council intranet contain a number of inaccuracies in relation to staffing and structures below deputy director level and have not been updated to reflect changes made during the current financial year.

The overall conclusion for this area from the previous audit of authority & governance within S&CS undertaken during 2010/11 was Acceptable. No management actions were raised.

Business Continuity

It was found that BCP registers held in relation to S&CS, CS and OFRS were not fully complete and up to date, testing and review dates for some plans were not specified, some plans had not been tested in the last year, one instance was noted where the named plan owner no longer worked for the Council.

From the review of a sample of BCPs, it was noted that there were instances where contact details of recovery team members were not attached, where recovery team members were not clearly specified, where plans did not appear to have been reviewed and updated regularly. An instance was also noted where an unnecessary entry had been made in the BCP register as the service was determined to be covered by another plan.

From the establishment audit of trading standards, it was noted that there was no evidence of review of the business continuity plan. An action to address this has been agreed as part of the separate establishment report.

Information Governance

Detailed testing in the area of Information Governance has not been undertaken during 2011/12. This work is planned to be undertaken during the first quarter of 2012/13 and will include specific testing around the management of external data transfers and the directorate's processes for ensuring compliance with Information Governance policies, including data protection.

There is a nominated lead for Information Governance within the S&CS directorate. 3 actions for S&CS were raised as part of the 2010/11 Governance & Financial Management audit programme, all have been reported as implemented and will be followed up as part of the 2012/13 audit.

Corporate improvements in the area of Information Governance have been noted which include the issue of the Corporate Data Transfer Policy, implementation of Information Asset registers across all directorates, implementation of Access strategy and Excel Development policy and, evidence of review/lessons learnt following security breaches, updates are planned to the corporate guidance i.e. Acceptable Use Policy and Guidance on Home Working as a result.

An establishment visit to Trading Standards identified an issue with the security of personal records held.

Risk Management

Six management actions relating to Risk Management were raised in the previous 2010/11 S&CS Governance and Financial Management audit, all of which have either been implemented or are no longer applicable. The audit for 2011/12 did not include review of Risk Management in OFRS.

Following the restructure, a new risk lead, the Performance and Information Manager, has been appointed, who will be responsible for both CEF and S&CS Risk and Performance Management from 2012/13. Management actions have therefore been agreed with the new post holder.

The risk register was presented to three DLT meetings during the 2011/12 financial year. Despite a meeting cancellation, the quarter three report was circulated to members for information and comment. A review of the minutes/action notes highlighted that discussions and a level of challenge takes place over the content of the risk register, with the subsequent amendments being made as a result. There is also evidence to show the risk register is subject to continual update, an example being additional risks added in response to the risk workshop held by CCMT. It was noted that presentation and discussion of the Risk Register at DLT did not coincide with Performance or Financial Reporting.

The S&CS consolidated risk register contains all the required elements and the risks were found to be well detailed, scored in line with the matrix and assigned appropriately. Controls were listed against each of the risks and target scores were detailed, however for the majority of risks tested there was no movement in terms of progress towards the target score, throughout the year. The

actions listed against these risks were lacking in detail and only involved monitoring the controls, there was little proactive work recorded as having been undertaken. Whilst it is good practice to continually monitor the risks, it is also essential that additional actions are put in place to help mitigate against risks which have an impact score of 4. Risks should be progressed throughout the year, to their target score, to ensure that the risks are appropriately managed, or the target risk scores should reflect that the Council are content to maintain the risks at the same level and just monitor their progress.

It was reported that there was a lack of risk management training provided this financial year.

The review of risk management for 2011/12 did not include detailed testing of risk management processes at service level.

Performance Management

A separate report on S&CS performance management has been issued and finalised. The overall conclusion was Issues. Two priority 1 actions and three priority 2 actions were raised. There is one partially implemented priority 1 action outstanding and Internal Audit will continue to monitor for confirmation of implementation. All other actions have been reported as implemented and will be tested by Internal Audit when performance management is reviewed in 2012/13.

It is acknowledged that, at the time of the audit, the Directorate were in the process of reviewing and changing their performance management targets. Both Deputy Directors reported that they were reviewing and will establish revised operational adult social care key indicators. Since finalising the report in October these have now been determined and published.

Financial Management

Budget Setting and Budgetary Control:

A separate report on Business Strategy – Governance and Delivery has been issued and finalised (2 February 2012). The overall conclusion was Issues. The audit included review of a sample of savings within each directorate. Within S&CS, two priority 1 management actions were agreed for implementation by 31 March 2012 in respect of the RAS savings.

As part of the audit of budgetary control, the Locality team budgets were reviewed. It was identified that these budgets were forecasting an overspend of £0.505m. This was reported to be due to an error in the calculation of the costs when the service was restructured in 2010/11. This is in the process of being corrected for 2012/13. From discussion with the Management Accountant and one of the cost centre managers for we noted that forecasting is completed by the Management Accountant due to the lack of SAP competency across Locality Team Managers. The Management Accountant produces the forecast on a monthly basis following discussion with the Locality Teams. This is summarised and presented to the monthly SCS OP/PD Service Finance & Performance Meeting where all the Area Managers and Senior Managers attend.

From review of Income budget we noted that the Management Accountants are driving the support and review of budgets. From review of the income monitoring and discussion with Management Accountancy we noted that the income target set for 2010/11 were unrealistic and were carried forward into 11/12. The Fairer Charging income deficit has been building since 2010/11 and approximately £0.6m of the shortfall can be explained by unrealistic income targets in the budget. The Finance Business Partners within S&CS are currently working with the Director of S&CS to review and revise Fairer Charging income budgets so that they match more accurately the level of income that can realistically be expected given current and forecast activity levels.

The audit of budgetary control in S&CS also considered the budget allocation and approval process, reviewed a small sample of permanent virements across each directorate, considered budget training and also the process for compilation of the MMR. No issues were identified for reporting specifically to S&CS, however corporate issues have been noted regarding the take up of courses by budget holders during 2011 and the MMR reports only reporting 1 previous months' outturn.

An issue was identified during the audit of Trading Standards in respect of the cost centre structure.

There were 3 actions in respect of budget setting and budgetary control from 2010/11 audit. These have all reported as having been implemented.

Financial Compliance:

The audit of Trading Standards identified from testing on imprest accounts, that there is no independent review, one of the authorised signatories is an officer who left over 18 months ago and the current office imprest advance is too high for service requirements.

A small number of issues were highlighted from a sample of payroll claims reviewed within Adult Social Care Teams.

Procurement:

An audit of Compliance with Contract Procedure Rules has been undertaken with samples selected for testing from each directorate. This work has not been concluded and reported on at the time of issuing this report. A separate report will be issued and agreed early in 2012/13.

An audit looking at the contract commissioning of the Reablement Service has been completed in 2011/12. The overall conclusion was Issues and a separate report has been finalised.

Four other contract procurement and contract management audits have been completed in S&CS during 2011/12. Carers Support Service, Introduction of RFID in Libraries, Redbridge Hollow Phase 2 and Learning Disabilities Specialist Health. All reports have been finalised and all had overall conclusions of Issues. The Introduction of RFID in Libraries audit and the Redbridge Hollow Phase 2 audit were also issued to E&E, as these contracts had been managed by E&E on behalf of S&CS and all actions were for

E&E officers. For the other two S&CS contract audits, the main weaknesses identified related to contract management, and not contract procurement.

Issues were identified in the area of procurement during the Trading Standards audit whereby review of lease agreements needed to be reviewed. Issues were also identified with procurement cards at both Trading Standards and within the sample reviewed in Adult Social Care Teams.

The audit of Facilities Management Knights Court highlighted this area as Unacceptable. It was identified that the imprest account operated by the E&E Knights Court Facilities Management Finance Team was being utilised by CEF and S&CS staff in preference to the correct methods of procurement such as procurement cards, SAP/SRM and reimbursement through submission of Travel and Expenses claim forms to payroll.

Control of Assets:

Issues were identified during the Trading Standards audit in respect of the disposal of assets. Detailed findings are not summarised in this report, however, management actions have been agreed to address the issues identified and are included in the separate report issued to Trading Standards. Control of assets was not tested elsewhere in the directorate for 2011/12.

Legislation

The area of Legislation has not been tested for 2011/12. Last year, the Governance & Financial Management audit included a review of the processes in place to ensure that statutory and mandatory health and safety training is completed and that actions raised by health and safety visits were monitored for implementation. There were no specific actions for S&CS in respect of this, however corporate actions were raised and these have been followed up during 2011/12. Again there are no specific actions for S&CS however it has been highlighted that S&CS DLT only received and considered two reports from the Health, Safety and Wellbeing Team during an 11 month period. An action has been agreed with the Health, Safety and Wellbeing Team to timetable quarterly attendance at S&CS DLT for 2012/13.

Human Resources

Issues were identified in relation to sickness monitoring and the accuracy of sickness absences recorded on SAP, timeliness of appraisals and annual leave recording. It was noted that driving at work procedural checks had not been fully completed, this was a corporate action from last year's audit and action is planned to address this during April 2012.

There were two actions raised as a result of the 2010/11 Governance & Financial Management Audit, 1 has been reported as implemented, and the other (a corporate action) is referred to above in relation to the driving at work procedural checks.

Project Management

N/A – not tested during 2011/12.

There were five priority 2 actions agreed within last year's Governance & Financial Management report in respect of project management. These have all been reported as implemented and will be tested by Internal Audit during 2012/13.

Partnerships

N/A – not tested during 2011/12.

There was one priority 2 action agreed within last year's Governance and Financial Management report in respect of Partnerships. This has been reported as implemented.

CEF Governance and Financial Management Audit – Overall Directorate Report (Issues)

As part of the Governance and Financial Management Programme for 2011/12 testing has been completed at both Corporate and Directorate level. It has also included auditing a sample of establishments/teams across the organisation to test compliance with key governance and financial processes.

Our overall conclusion is ISSUES. Issues were noted in all of the following areas: Authority & Governance, Business Continuity, Risk Management, Performance Management, Financial Management, Human Resources and Project Management.

There are 2 outstanding management actions from the CEF Governance & Financial Management audit carried out in 2010/11 which are now repeated or re-worded in this report.

Individual Governance and Financial Management Audits were undertaken at two establishments within CEF; Youth Offending Service and East Oxford Hub. Separate reports have been issued and finalised. The findings from these contribute to the individual conclusions against each of the audited risk areas and findings are summarised within this report. However due to the significance of the findings from the Youth Offending Service audit and the resulting management actions agreed, the report and findings remain confidential by agreement with the Director and therefore details of weaknesses have not been included in this report.

A further establishment audit is referred to in the report which was undertaken at Facilities Management, Knights Court Office as part of the E&E Governance & Financial Management audit programme. The audit had an overall conclusion of Unacceptable. Whilst an E&E office, weaknesses identified relate to the processing of transactions on behalf of both CEF and S&CS and a number of management actions were agreed by the CEF directorate and are therefore included in this report and contribute to the level of assurance provided to the CEF Director.

The findings in respect of CEF Performance Management and CEF Project Management are summarised within the overall directorate report, however have already been reported in individual reports as the work was completed earlier in the year.

Authority & Governance

It was identified that the CEF Scheme of Financial Delegation has not been reviewed this financial year. It was also found, that the format of the CEF Scheme of Financial Delegation was not consistent with the corporate guidance in relation to Section 151 officer responsibilities, however it is acknowledged that the scheme has not been updated since the corporate guidance was issued.

From a comparison between the scheme of financial delegation and the SAP Approvers Matrix, 3/7 officers with financial approval permissions on SAP could not be confirmed as being in accordance with the published scheme of financial delegation. For 2 of these, it was confirmed that the officers should not have approval permissions on SAP and for the remaining instance it was

reported, by the Senior Management Accountant, that an officer with a £1K approval limit was appropriate. However, as the CEF Scheme of Financial Delegation does not provide details of individual approvers at this level, and ICT are unable to provide evidence of who requested this permission to be set up, it is not possible to verify this.

Even though it was found that a great deal of work has been undertaken, by Management Accounting and by ICT, since last year's audit to update the SAP Approvers Matrix, it was identified that there are still numerous errors in the person responsible field. SFG have confirmed that this field is to be maintained and so requires further review and updating.

Use of active and passive substitutes on SAP was also reviewed during the audit. A number of examples were identified where substitution arrangements had been set up which were outside of the arrangements permitted under the Scheme of Financial Delegation.

It was identified at one of the two establishments visited within CEF that OCC governance and financial management policies and procedures were not being adhered to. This was at Youth Offending Service. Detailed findings are included within the confidential report. An establishment audit of Knights Court also identified instances of financial approvals made outside of the approved Scheme of Financial Delegation.

There were 4 management actions agreed as a result of the 2010/11 authority and governance work. All have been reported as implemented. This has been verified through this year's authority & governance testing.

Business Continuity

The CEF Business Continuity Coordinator maintains a Business Continuity Register which lists all of the Business Continuity Plans within the directorate. The BCP Coordinator is responsible for maintaining this register. Individual plans are owned by managers in the directorate and they are responsible for ensuring that their plans are accurate and up to date.

It was identified that there are currently two Business Continuity Plans which have not been submitted to the CEF Business Continuity Co-ordinator. A management action has been raised with the relevant Deputy Director to ensure that the CEF Business Continuity Co-ordinator receives the outstanding plans without delay.

Both management actions agreed as a result of the 2011/12 Governance Audit programme have been confirmed as having been fully implemented.

Information Governance

Detailed testing in the area of Information Governance has not been undertaken during 2011/12. This work is planned to be undertaken during the first quarter of 2012/13 and will include specific testing around the management of external data transfers and the directorate's processes for ensuring compliance with Information Governance policies, including data protection.

There is a nominated lead for Information Governance within the CEF directorate. 1 action in respect of Information Governance was raised as part of the 2010/11 audit. This is reported to have been implemented.

Corporate improvements in the area of Information Governance have been noted which include the issue of the Corporate Data Transfer Policy, implementation of Information Asset registers across all directorates, implementation of Access strategy and Excel Development policy and, evidence of review/lessons learnt following security breaches, updates are planned to the corporate guidance i.e. Acceptable Use Policy and Guidance on Home Working as a result.

Issues were identified in the area of information Security during the audit of Youth Offending Service. These have been reported separately in the confidential report.

An issue has also been identified as part of the budgetary control audit whereby officers outside of CEF directorate, who have not been CRB checked, have SAP access which allows them to view looked after children's names and vendor details, i.e. where they are placed.

Risk Management

Three management actions in respect of Risk Management were agreed in the 2010/11 CEF Governance & Financial Management Audit Report. Whilst these have been reported as implemented, the audit testing performed this year has highlighted that one action has not been fully implemented and has therefore been re-stated in this report.

Following the restructure, a new risk lead has been appointed; Performance and Information Manager, who will be responsible for both CEF and S&CS Risk and Performance Management from 2012/13. Management actions have therefore been agreed with the new post holder.

Reporting against risk to DLT could only be evidenced as having taken place twice during the year, and of the reporting that has taken place there is little evidence to show that any significant discussion or changes took place around the risk registers. Presentation and discussion of the Risk Register at DLT did not coincide with Performance or Financial Reporting.

The results of the CCMT workshop, that took place in October 2011, and resulted in a number of potential risk areas being raised has been sent to the respective risk lead however there is no evidence to show that any of the areas raised have been considered and the risk registers updated as such. An example was also identified whereby service risks do not appear to have been

appropriately identified. There was no evidence to show that there was any review to ensure that relevant risks are captured, appropriately recorded and monitored.

The three risk registers supporting the CEF Directorate follow the corporate format and contain the required elements to monitor and manage risks. All risks reviewed were found to have been assessed and scored in line with the standard matrix, target risk scores were set and risks were assigned to individuals. Despite this however, there are a number of inconsistencies between the way risks and mitigating actions are recorded and scored. Actions were listed throughout the risk register however in a number of cases these were not having any impact on the scoring of the risk. This suggests that either the actions are ineffective at mitigating risks or there is a lack of understanding about scoring risk. On some occasions forward planned actions were listed in one quarter, and then new actions listed in the following quarter, taking no regard for those planned previously as to whether they have been implemented or not. Considering these findings it is clear there is a lack of effective challenge and detailed scrutiny over the contents of the risk registers as a whole.

It was reported that there was a lack of risk management training provided this financial year. It's important that sufficient training is provided to ensure that managers are aware of their responsibilities and duties surrounding risk management, especially any new managers to the Council.

The review of risk management for 2011/12 did not include detailed testing of risk management processes at service base level.

Performance Management

A separate report on CEF performance management has been issued and finalised. The overall conclusion was Issues. Five priority 2 management actions were agreed in the report. These have been reported as implemented and will be tested by Internal Audit when performance management is reviewed in 2012/13.

The re-structure has resulted in the appointment of a new post holder within Joint Commissioning (Performance and Information Manager), who will be responsible for the management and co-ordination of performance reporting within CEF going forward.

Financial Management

Budget Setting and Budgetary Control:

A separate report on Business Strategy – Governance and Delivery has been issued and finalised (2 February 2012). The overall conclusion was Issues. The audit included review of a sample of savings within each directorate. Within CEF the audit sampled 5 savings targets and two priority 1 management actions re the timely updating of forecasting and budget information on SAP and

working with service managers to support their understanding, responsibility and ownership for the allocated budgets. Implementation dates for these actions were agreed for 31 March 2012 and 30 June 2012.

An audit of Early Years – Delivery of Savings Plan has also been undertaken during 2011/12. The overall conclusion is Issues and a separate report has been finalised.

In last year's audit of Governance & Financial Management, there were 7 actions raised for budget setting and 2 for budgetary control. All have been reported as implemented with the exception of 1 which has been reported as partially implemented. This has been re-stated in this report.

During review of a sample of cost centres, the audit identified for one cost centre, 18 one-off payments to suppliers where a purchase order had not been raised. The total value of these payments totalled £46,215.

The audit of budgetary control in CEF also considered the budget allocation and approval process, reviewed a small sample of permanent virements across each directorate, considered budget training and the process for compilation of the MMR. No issues were identified for reporting specifically to CEF, however corporate issues have been noted regarding the take up of courses by budget holders during 2011 and the MMR reports only reporting 1 previous months' outturn.

An action was raised within the East Oxford Hub report to address the weakness of the Hub Manager not being able to utilise SAP. The audit of East Oxford Hub also identified central coding issues in respect of Hub Admin Workers resulting in them being coded to the incorrect budget. The audit of Youth Offending Service identified that the Cost Centre Manager on SAP was not up-to-date for all relevant cost centres and also identified coding issues relating to staff that had moved to the Hub / no longer related to YOS.

Financial Compliance:

The audit of East Oxford Hub identified that independent review of the imprest account and procurement card statements were not routinely evidenced.

The audit of Youth Offending Service identified significant control weaknesses and non-compliance in the use and management of Imprest Accounts and procurement cards and was concluded as Unacceptable. Detailed findings are included within the separate confidential report.

There were two financial management actions agreed in the 2010/11 audit. Both have been reported as implemented.

Procurement:

An audit of Compliance with Contract Procedure Rules has been undertaken with samples selected for testing from each directorate. This work has not been concluded and reported at the time of issuing this report. A separate report will be issued and agreed early in 2012/13.

Contract Procurement and Contract Management audits have been completed of two CEF contracts; CEF Woodfarm Replacement of Buildings, final report issued 8 February 2012, and CEF Childrens Integrated Therapy Services Contract, final report issued 10 April 2012. Both reports had overall conclusions of Issues. CEF Woodfarm contract audit included weaknesses in the areas of contract procurement, however these issues were addressed to E&E who managed this on behalf of CEF and therefore the detailed findings are not summarised in this report. CEF Children's Integrated Therapy Services had issues identified in the area of contract management.

The audit of Youth Offending Service identified weaknesses in this area as detailed above under financial compliance.

The audit of Facilities Management Knights Court highlighted this area as Unacceptable. It was identified that the imprest account operated by the E&E Knights Court Facilities Management Finance Team was being utilised by CEF and S&CS staff in preference to the correct methods of procurement such as procurement cards, SAP/SRM and reimbursement through submission of Travel and Expenses claim forms to payroll.

Control of Assets:

The audit of East Oxford Hub identified weaknesses with the inventory system. Assets were not always recorded and there were no records maintained of equipment taken off site. The audit of Youth Offending Service identified control weaknesses in respect of the management of assets and the conclusion for this area was Unacceptable. Detailed findings are included within the separate confidential report.

Legislation

The area of Legislation has not been tested for 2011/12. Last year the Governance & Financial Management audit included a review of the processes in place to ensure that statutory and mandatory health and safety training is completed and that actions raised by health and safety visits were monitored for implementation. There were no specific actions for CEF in respect of this, however corporate actions were raised and these have been followed up during 2011/12. This year there are no specific actions for CEF, however it has been highlighted that CEF DLT only received two reports and only considered one of these reports from the Health, Safety and Wellbeing Team at DLT during an 11 month period. An action has been agreed with the Health, Safety and Wellbeing Team to timetable quarterly attendance at CEF DLT for 2012/13.

Human Resources

Weaknesses in this area were identified at both the audit of East Oxford Hub and the Youth Offending Service, with both concluded as Unacceptable. For the East Oxford Hub, control weaknesses were identified in respect of absence records, establishment

reviews, driving at work procedural checks and CRB monitoring records. For the Youth Offending Service, control weaknesses were identified with the application of HR policies, detailed findings are recorded in the separate confidential report. Individual management actions have been agreed to address the weaknesses identified.

There were two corporate actions raised in respect of HR in last year's CEF Governance & Financial Management report. One was reported as implemented, however this has now been replaced by the action described above for the HR Business Partner to review sickness monitoring. The other was in respect of driving at work procedural checks which has only been partially implemented. It is planned that this will be fully implemented during April 2012.

Project Management

A separate report on CEF project management has been issued and finalised (Final issued 8 March 2012). It concludes that the CEF Directorate do not have a formal lead in place for project management, responsible for monitoring/challenging that CEF projects are following the OCC Project Management methodology and delivering agreed project outcomes. Directorate governance arrangements in place do not ensure compliance with the OCC Project Management methodology and have resulted in several deviations from standard. Two management actions have been restated from the 2009/10 Project Management audit as they have not been fully embedded / implemented. These actions were originally assigned to the CEF Business Manager (post no longer exists).

As part of the CEF Project Management audit, we reviewed three projects to ascertain if the OCC project management methodology had been followed. The overall conclusion is based on the review of the following projects; Cross Regional and Education and Residential Provision, FWi/Swift Integration, and FWi Management Information reporting, the findings confirm the lack of overall monitoring / assurance arrangements.

It should be noted that Internal Audit also undertook a review of the project management and financial structure of the introduction of the new Early Intervention Service (Hubs) during 2011/12. The overall conclusion was Acceptable.

Partnerships

N/A – not tested during 2011/12.

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ANNEX 2

2012/13 Quarter 1 Internal Audit Plan

Directorate	Qtr Start	Audit
CEF	1	**CEF Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.* During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.
CEF	1	**CEF Safeguarding** The audit will follow up on the findings from 2011/12 audit and test implementation of the actions raised. The detailed scope of the audit is to be agreed with the Deputy Director – Childrens Social Care and the Safeguarding Manager. The audit will look to review the adequacy of performance management information and reporting mechanisms in areas such as case file recording, case load management and assurance on safeguarding controls in respect of external provision.
SCS	1	**SCS Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.* During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for

Directorate	Qtr Start	Audit
		ensuring compliance with Information Governance policies, including data protection.
SCS	1	**Personal Budgets** The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, review of directorate's care pathway work, care plan delivery and client documentation. The audit will specifically review controls in respect of direct payments and consider the current pilot of payment cards. It has been agreed with the Deputy Director that the audit will be undertaken in two parts during 2012/13, with the focus in quarter 1 being on the controls in place for direct payments and new payment card system.
SCS	1	**AIS implementation** The Audit Manager will continue to work with the project manager in reviewing the progress against key stages of this project implementation, including the identified data cleansing and data management improvements. Specific audit activity during quarter 1 will include review of the draft "to-be" processes once designed and also review of system mapping which identifies current and future output requirements.
SCS	1	**OFRS – Joint Fire Control** The Audit Manager will work with the project manager in reviewing the progress against key stages of the project implementation. Specific audit activity will be agreed which will include review of the project management governance arrangements.
SCS	All	**Contract Procurement and Contract Management** During quarter 1 the Head of Audit will be involved in the Directorate's review of the adequacy of contract monitoring arrangements in relation to Health and Safety. For the remaining quarters a programme of assurance activity on contract procurement and contract management arrangements in place to be determined and agreed with Deputy Director, Joint Commissioning.

Directorate	Qtr Start	Audit
CEO	1	**CEO Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.* During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.
CEO	1	**Capital Accounting (Part 2)** This audit will follow on from the 2011/12 review, completed during quarter 4. The scope of the audit is to review the closedown procedures and transactions, completed as part of the year end accounting process. The main focus of testing will be on acquisitions, enhancements, depreciation, revaluations, disposals and write offs and the Asset Register.
CEO	1	**Treasury Management** An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.
EE	1	**EE Governance and Financial Management (including Customer Services)** This is an annual audit to review governance and financial management arrangements in place within each directorate. *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.*

Directorate	Qtr Start	Audit
		During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.
EE	1	**Property and Facilities Contract** Property & Facilities is currently carrying out a project to procure a new Strategic Service Partner to supply property services including multi-disciplinary design, construction, white and blue collar facilities management and transactional Estates Management services to the council from April 2012. This is a major project for the council with an estimated annual value of work in the region of £50m, and it is intended to let a ten year contract which has the facility to extend in aggregate up to a further ten years.
EE	1	**Asset Strategy Implementation (incl. Corporate Landlord Approach)** Implementation of the Asset Strategy is being managed and coordinated through an overarching programme and work streams. The property rationalisation programme has been set out and is being taken forward: the programme will mean that a number of other properties will be sold or leases surrendered over the next four years and beyond. Implementation of the Corporate Landlord will see Property & Facilities develop its corporate role: this will require enhanced working relationships with service teams across the council. As part of this approach, asset-led locality reviews are being taken forward with a view to identifying further opportunities to rationalise the asset and improve service delivery.
EE (Customer Services)	1	**EE Governance and Financial Management (including Customer Services)** This is an annual audit to review governance and financial management arrangements in place within each directorate. *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.*

Directorate	Qtr Start	Audit
		During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.
EE (Customer Services)	1	**Transforming Customer Services** The outcome of this programme is to provide a high quality, cost effective support service that has a reputation for excellent customer service whilst being competitively priced. This will be achieved by setting up an Internal Customer Services centre operating model. Customers will have simple and clear access channels to the required service, with most query resolution occurring at the first point of contact. The audit will review the progress in delivering the programme, aimed at improving access to services for customers. Programme objectives include improving the systems currently in place and producing savings through economies of scale, cross-skilling, and ensuring the right level of work is directed to the relevant skilled employee.
EE (ICT)	1	**Telephony Infrastructure Project** To provide assurance over the implementation of the telephony strategy. The audit will be undertaken in two phases. A key programme within ICT designed to deliver significant cost savings to the organisation.

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OCC COUNTER-FRAUD WORK PLAN FOR YEAR 2012/2013   ANNEX3

REF.	TASK/OBJECTIVE	DAYS NEEDED	RESOURCES	TARGET DATE
a)	Attend regional and national groups on fraud issues (i.e. MCCIAG Sub-Fraud Group, London Audit Group, etc.).	5 days	Audit Manager or substitute.	April 2012
b)	Engage with DLT's and Directorate Manager Meetings to undertake an assessment of fraud risks within each service area. Utilise the results to inform Internal Audit's fraud risk assessment and proactive fraud work.	10 days	Audit Manager and experienced fraud Auditor.	July 2012
c)	Develop & maintain a Counter-Fraud webpage on the Council's intranet.	2 days	Experienced fraud Auditor.	September 2012
d)	Develop & maintain a Counter-Fraud webpage on the Council's public website.	2 days	Experienced fraud Auditor.	September 2012
e)	Publish news items and articles on the Council's intranet on fraud and related subjects.	2 days	Experienced fraud Auditor.	October 2012
f)	Review and monitor completion of Combating Fraud & Corruption e-learning course.	1 day	Experienced fraud Auditor.	December 2012
g)	Combating fraud and corruption e-learning course to be reviewed, revised as necessary and re-publicised.	1 day	Experienced fraud Auditor.	February 2013
a)	Discuss publicity requirements on all OCC cases and initiatives, as the need arises.	1 day	Audit Manager and experienced fraud Auditor.	September 2012
a)	Develop the consideration of fraud and corruption risks as part of the organisation's	3 days	Audit Manager and experienced fraud	June 2012

Ref.	Task/Objective	Days Needed	Resources	Target Date
	risk management arrangements.		Auditor.	
b)	Counter-Fraud Policy:			
	• Review Anti Fraud and Corruption Strategy.	0.5 day	Audit Manager and experienced fraud Auditor.	June 2012
	• Include Fraud Response Plan in Counter-Fraud Manual.	0.5 day	Audit Manager and experienced fraud Auditor.	June 2012
	• Review Whistle blowing Policy.			
	• Review Money Laundering Policy.	N/A	Legal / HR Department.	July 2013
		N/A	Legal Department.	November 2013
a)	Produce a fraud risk assessment to inform areas for pro-active fraud testing.	5 days	Audit Manager and experienced fraud Auditor.	July 2012
b)	Greater utilisation of IDEA and SAP when undertaking proactive fraud investigations.	5 days	Training need for the Internal Audit team.	July 2012
c)	Audit Commission National Fraud Initiative (NFI) 2012/13:			
	• Undertake awareness raising and comply with the NFI's "Fair Processing Notification" requirements.	1 day	Audit Manager and experienced fraud Auditor.	September 2012
	• Submit NFI data.			
		1 day	Audit Manager and experienced fraud Auditor, with ICT department.	October 2012
	• Investigate and resolve NFI data matches.			
	• Monitor outcomes and confirm that issues are being reviewed and resolved appropriately, including addressing any control weaknesses.	N/A	Delegated to individual teams.	March 2013
		2 days	Experienced fraud Auditor.	March 2013

REF.	TASK/OBJECTIVE	DAYS NEEDED	RESOURCES	TARGET DATE
d)	Undertake proactive anti fraud testing to provide assurance on effectiveness of fraud controls.	50 days (5 reviews)	Audit Manager and experienced fraud Auditor.	March 2013
a)	Develop a joined up approach to investigating fraud and corruption allegations (i.e. with Legal, HR, ICT, etc.).	5 days	Audit Manager and experienced fraud Auditor.	June 2012
b)	Create Internal Audit Counter-Fraud Manual.	2 days	Audit Manager and experienced fraud Auditor.	June 2012
c)	Increased team awareness of fraud issues and risks when undertaking standard assurance work.	To be completed as part of 4b).	Training need for the Internal Audit team.	July 2012
a)	Maintain a close working relationship with Human Resources / Legal re: civil, disciplinary and criminal.	To be completed as part of 5a).	Audit Manager and experienced fraud Auditor.	January 2013
a)	Supply the necessary information to partner organisations to ensure that funds and assets remain within the Council and where losses are identified, seek to recover funds, where possible.	1 day	Audit Manager and experienced fraud Auditor.	January 2013

Total Days needed:

- 100 days (Audit Manager: 25 days / Senior Auditor: 75 days).

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AUDIT COMMITTEE – 8 MAY 2012

WORK PROGRAMME 2012/13

2012

Tue 15 May

Election of Chairman & Deputy Chairman
Terms of Reference and Complaints under Members' Code of Conduct

Wed 4 July

Annual Report of the Chief Internal Auditor 2011/12
(Ian Dyson)

Internal Audit Plan – 2012/13 Progress Report and Quarter 2 Plan
(Ian Dyson)

Treasury Management Outturn 2011/12
(Sue Scane / relevant officer)

Annual Governance Statement 2011/12
(Peter Clark)

Statement of Accounts 2011/12
(Sue Scane / relevant officer)

Audit Commission – Progress Report

Wed 19 September

Risk Management Annual Report
(Alexandra Bailey)

Final Statement of Accounts 2011/12
(Sue Scane / relevant officer)

Internal Audit Plan – 2011/12 Progress Report and Quarter 3 Plan
(Ian Dyson)

Local Government Ombudsman's Annual Review of OCC
(Peter Clark)

Audit Commission – Annual Governance Report – Oxfordshire County Council
Audit Commission – Annual Governance Report – Oxfordshire Pension Fund
Audit Commission – Progress Report

Wed 21 November

Treasury Management Mid Term Review 2012/13
(Sue Scane / relevant officer)

Annual Governance Statement – Action Plan Progress
(Peter Clark)

Audit Commission – Annual Audit Letter

2013

Wed 16 January

Statement on Internal Control – Annual Review of Effectiveness
(Peter Clark & Sue Scane)

Internal Audit Plan – 2012/13 Progress Report and Quarter 4 Plan
(Ian Dyson)

Review of the Process for Reporting on the Effectiveness of the System of Internal Audit
(Ian Dyson)

Treasury Management Strategy
(Sue Scane / relevant officer)

Audit Committee - Draft Work Programme 2013/14
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

Wed 27 February

Audit Committee Annual Report to Council 2012
(in accordance with the process adopted by the Committee on 29 November 2006)

Internal Audit Services-Internal Audit Strategy & Annual Plan 2013/14
(Ian Dyson)

Standing Items:

- Audit Working Group Reports
  (Ian Dyson)

- Business Strategy: updates & key extracts from the cabinet Financial Monitoring & Business Strategy Delivery Report
  (Sue Scane)

- Scrutiny - governance & control matters
  (Alexandra Bailey)

- Audit Committee Work Programme – update/review
  (Committee Officer/Chairman/relevant officers)

Other matters

None identified at present

Background Papers   Nil

Contact officer: Geoff Malcolm, Committee Officer
                        Tel: (01865) 815904

April 2012

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