



To: **Members of the Audit & Governance Committee**

***Notice of a Meeting of the Audit & Governance
Committee***

Wednesday, 25 February 2015 at 2.00 pm, Meeting Rooms 1&2

County Hall, Oxford, OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

February 2015

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Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Sandy Lovatt

Councillors

Jamila Azad
David Bartholomew
Tim Hallchurch MBE

Jenny Hannaby
Nick Hards
Simon Hoare

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 22 April 2015***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on (01865) 815270 or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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. Declaration of Interests - see guidance note

3. Minutes (Pages 1 - 10)

To approve the minutes of the meeting held on 14 January 2015 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

5. SCS LEAN and IT system

2:10

Kate Terroni, Deputy Director Joint Commissioning and Martyn Ward, Head of ICT Business Delivery will attend to give a brief presentation to the Committee.

The presentation will update the Committee on the progress of two interlinking projects:

- The Adult Social Care IT Project which will deliver replacement computer systems for Adult Social Care (Swift) and Client Finance (Abacus); and..
- The Adult Services Improvement Programme which is delivering significantly more effective and efficient business processes using LEAN methodologies.

The presentation will also give an overview of the governance arrangements of the Projects, highlight key changes in the way that services will be provided and advise on arrangements for ensuring the wider Council and its partners are aware and ready for the system go live in mid-2015.

The Committee is RECOMMENDED to receive the presentation.

6. Accountability of the Local Enterprise Partnership

2:30

The Chief Finance Officer will attend to give a brief presentation to the Committee.

The presentation will provide the Committee with some background in relation to the formation of the LEP, the funding that is routed via the LEP and an understanding of what it means to be the accountable body for the LEP. The presentation will also cover the governance arrangements of the LEP and the relationship between the LEP and the Growth Board.

The Committee is RECOMMENDED to receive the presentation.

7. Council request to look at Demographics of Council (Pages 11 - 14)

3:00

Report by the County Solicitor & Monitoring Officer (**AG7**).

In December 2014, Council received a report from the Independent Remuneration Panel on councillors' allowances. During the debate on that item, Council endorsed the Panel's view that overcoming obstacles to wider democratic representation required solutions other than simply revised allowances.

Council has therefore asked the Audit & Governance Committee to give consideration to this issue. This is with a view to the Committee setting up a working group of interested members to report back to the Committee on potential options that the Council may adopt to encourage greater diversity of representation.

The Committee is RECOMMENDED to:

- (a) appoint a cross-party working group of members of the Committee to review how the County Council may encourage wider democratic representation to the Council;***
- (b) agree the terms of reference at paragraph 13;***
- (c) ask the Monitoring Officer to provide support to the working group.***

8. Update on Hampshire Partnership

3:20

Hilary Cameron, Finance Lead Transforming OCS Project and Sarah Currell, Workstream Lead, HR will attend to give a brief presentation to the Committee.

The presentation will update the Committee on progress on the On Boarding Project for the partnership arrangement with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015. The presentation will give an overview of the governance arrangements of the Project, highlight key changes in processes for HR and Finance and advise on arrangements for ensuring the wider Council is ready for the forthcoming changes. It will also consider changes to internal controls and data security arrangements as well as updating the Committee on savings.

The Committee is RECOMMENDED to receive the Presentation.

9. Ernst & Young External Auditors (Pages 15 - 42)

3:40

The following reports are attached for the Committee's consideration. A Representative

from Ernst & Young will attend for these items:

- Local Government Audit Committee Briefing;
- Audit Progress Report Year Ending 31 March 2015;
- Certification of Claims and Return Annual Report 2013 – 14.

The Committee is RECOMMENDED to note the reports.

10. Audit Working Group Report (Pages 43 - 48)

4:00

Report by the Chief Internal Auditor (**AG10**).

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

The Committee is RECOMMENDED to note the report.

CLOSE OF MEETING

4:15

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 14 January 2015 commencing at 2.00 pm and finishing at 4.40 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair
Councillor Sandy Lovatt (Deputy Chairman)
Councillor Jamila Azad
Councillor David Bartholomew
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Dr Geoff Jones
Councillor Stewart Lilly (In place of Councillor Simon Hoare)
Councillor Charles Mathew (In place of Councillor Tim Hallchurch MBE)

By Invitation: Maria Grindley and Alan Witty (Ernst & Young).

Officers:

Whole of meeting Lorna Baxter, Chief Finance Officer; Ian Dyson, Chief Internal Auditor and Deborah Miller (Chief Executive's Office).

Part of meeting

Agenda Item	Officer Attending
5	Steve Munn, Sue Corrigan and Paul Lundy (Corporate HR); Martyn Ward (ICT);
6	Lewis Gosling (Finance);
8	David Illingworth (Finance)

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 [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

1/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology from	Substitute
Councillor Tim Hallchurch	Councillor Charles Mathew
Councillor Simon Hoare	Councillor Stewart Lilly

2/15 MINUTES

(Agenda No. 3)

The Minutes of the Meeting were approved and signed subject to the following amendments:

- (i) Add Dr Geoff Jones, Co-optee under those present;
- (ii) Minute 62/14 4th paragraph to read as follows:

“...During debate, Councillor Bartholomew moved and Councillor Hoare seconded (supported by Councillor Hannaby)....”

Matters Arising

Minute 56/14 – Councillor Bartholomew questioned why, given the resolution of the Committee, had the actual report going forward to Council still contain officers on the panel for Appeals. Mr Dyson undertook to seek a response for Councillor Bartholomew.

Minute 61/14 - Councillor Bartholomew stated that he had not received a response to his request for confirmation on the accuracy of a statement in relation to contract managers in the Annual Governance Statement Actions. Mr Dyson responded that he thought a response had been sent but would check, whilst confirming that the response given at the Committee had been correct.

3/15 CORPORATE GOVERNANCE LEADS - PRESENTATIONS TO AUDIT & GOVERNANCE

(Agenda No. 5)

The Audit & Governance Committee had asked to be given presentations from each of the eleven Corporate Leads that provided assurance on an issue for governance purposes during the year so that they could better understand each area, particularly focusing of the assurance process of:

- How Corporate Leads assure themselves (and then directors) that things are well within their areas; and
- How Leads decide that issues need to be mentioned for ‘Action’; and
- How leads ensure that their area complies with regulations and the law.

The Committee received presentations from Corporate Leads on Human Resources and Health & Safety and Information, Communication & Technology. Sue Corrigan, County HR Manager outlined the Human Resources assurance processes carried out

to ensure human resources was adequately managed through its requisite legal framework, policies and toolkits to ensure that staff were kept well and happy.

Mr Lundy then took the Committee through the Health & Safety Management systems that were in place to ensure the Council had competent advice, including the strict controls around how the Council followed up incidents in proportion to the incident.

In response to questions from members regarding the Council's liability for health and safety for the Council's providers/contractors, Mrs Corrigan confirmed that the Council did have a duty of care to ensure the health & safety of contractors and that all contracts had a framework to ensure that there was adequate cover.

In response to questions raised regarding joint arrangements with Hampshire, She further confirmed that strong joint Governance arrangements through a joint board were in place to ensure arrangements were fit for a smooth transition.

The Committee expressed the importance of school representation on the board.

Mr Ward, ICT Service Manager then gave a brief presentation on the systems and mechanisms to ensure internal control and for ensuring that the Council had efficient, reliable and secure access to ICT Systems and Information through a comprehensive suite of ICT Policies; Industry Recognised Operating Practices for IT Service Management (ITIL); Service Level Agreements; ICT Service Management System for Operations; ICT Service Change Register for Projects and the Team, Service and Directorate Risk Management Process.

Members of the Committee expressed concern that many Members of the County Council had not signed the acceptable use of ICT policy agreement. They also questioned whether agency and interim staff signed the policy. Mr Ward replied that this issue had been identified and was being dealt with. New arrangements were also in place to ensure all new staff signed the agreement when they joined the organisation.

In response to a question regarding interrelationships with other organisations, Mr Ward reported that the County Council had recently subscribed to a secure email system used by local authorities, Police and NHS. The Council could also operate as a closed network should there be a breach to security.

4/15 TREASURY MANAGEMENT STRATEGY

(Agenda No. 6)

The Committee considered a report (AG6) which set out the Annual Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 in compliance with the CIPFA Code of Practice. The report set out the borrowing and investment strategies for 2015/16 and the relevant background information.

Mr Gosling reported that the borrowing strategy in 2015/16 outlined the requirement to prudentially borrow on behalf of the Oxfordshire Local Enterprise Partnership for

project funding from 2015/16 onwards. This would be repaid through the retained business rates of the Local Enterprise Partnership.

He further reported that maturing debt would continue to be repaid upon maturity and would not be replaced. There was £6m of PWLB debt scheduled to be repaid in 2015/16. The full borrowing strategy was set out from paragraph 46 of the report.

A recent development, not included in the report, was the announcement that HM Treasury were taking the necessary legislative steps to abolish the Public Works Loan Board (PWLB) over the coming months. It had been stressed that this development was being taken to address the governance of the PWLB and that it would have no impact on existing loans held by local authorities or the government's policy on local authority borrowing. Borrowing from the successor was expected to be as straightforward as it was currently.

A consultation document was expected in due course and the treasury management team would continue to monitor the situation.

The Annual Investment Strategy for 2015/16 was included from paragraph 70 of the report. The strategy was based on an average base rate of 0.625% and assumed an average return of 0.7%.

Three new instruments have been added to the strategy - reverse repos, covered bonds and registered providers. An explanation of each was provided from paragraph 79. These would provide greater options for diversification in response to the upcoming implementation of banking reform legislation, which would result in bail-in risk for unsecured investments.

In response to Members' questions regarding the level of change in Policy, Mrs Baxter reported that the biggest change was the impact of the EU bail-in provisions and the addition of the new instruments allowed the Council the flexibility to respond to the impact of potential changes in ratings given to banks.

In response to a statement from a Member regarding the importance of non-specific investments being ethical, Mrs Baxter stated that she has a fiduciary duty. It was her responsibility to maximise returns rather than whether investments were ethical or not.

Members expressed concerns regarding the County Council becoming the accountable body for the LEP by default and the associated risks and over the monitoring of the LEP and how this was being done. A Member further questioned whether the Growth Board was a public meeting.

Mrs Baxter reminded the Committee that she was bringing an item to the February Meeting of the Committee on the accountability of the LEP where the concerns raised would be covered and that the Growth Board was a public meeting.

Councillor Mathew moved and Councillor Lilly seconded the following Motion:

“to write to the Leader of the Council to convey its concerns regarding the ability of the Growth Board and Local Enterprise Partnership to take on liability that we have no control over but for which we have liability (especially in light of term 6.2 (Quorum & Safeguard) in the draft terms of reference for Oxfordshire Growth Board.”

Following debate, the motion was put to the vote and it was carried by 6 votes to 3.

RESOLVED: (by 6 votes to 3)

to write to the Leader of the Council to convey its concerns regarding the ability of the Growth Board and Local Enterprise Partnership to take on liability that we have no control over but for which we have liability (especially in light of term 6.2 (Quorum & Safeguard) in the draft terms of reference for Oxfordshire Growth Board.

6.0 Quorum & Safeguard

“6.2 Where the effect of a particular proposition, if adopted by the Committee, would be to give rise to contractual or financial implications for any constituent authority, then a protocol will be established where the expectation would be that the vote of the member appointed by that constituent authority, in favour of the proposition, would be required. In respect of other matters, all other voting will be on a normal majority basis. “

5/15 INTERNAL AUDIT UPDATE, INCLUDING 2014/15 PLAN PROGRESS REPORT

(Agenda No. 7)

The Committee considered a report (AG7) which outlined progress since the last Internal Audit report was presented to the Committee in September 2014 including measures to alleviate significant resourcing pressures estimated to be equivalent to two FTE.

Mr Dyson reported that the in-year resource deficit had been reduced to 270 days through outsourcing audit days from Hampshire County Council, and through assurance based risk management days from Zurich, the County Councils insurers.

Overall the total audit days being delivered had reduced from 1141 days to 870 days. In addition to the reduced resources there had been pressures on the available resource that had also required changes to the original planned activity; Up to 8 December, 63 days had been spent on counter-fraud, mainly on reactive investigation activity; and, there were internal performance issues to be addressed including overruns on planned audits.

As a result, there were three areas that were no longer going to be subject to audit this year, or where the audit methodology had been adapted to significantly reduce the number of days:

Feeder Systems - It was originally intended that an audit of all the financial feeder systems would be undertaken. This had been removed from the audit plan for this year. Assurance on these systems would be taken from the Finance Business

Partners who provided an annual assurance statement to the Chief Finance Officer on the systems operating in their Directorate; Internal Audit would be testing the reconciliation controls for transfer of data from the feeder into SAP, as part of the audit of the Main Accounting System.

Schools - It was originally intended that thematic financial audits across a sample of school would be undertaken. Assurance would now be taken, as in previous years, from an audit of the Management Accounting (Schools) team, and the oversight they have over financial management in schools.

Governance - In recent years Internal Audit had undertaken a programme of governance audits testing the key controls operating corporately and within the Directorates, including targeting some specific teams/establishments. This work had contributed to the Directors' Annual Assurance Statements. The methodology was changing this year in order to reduce the number of audit days; a risk assessment template would be submitted to all direct reports to Deputy Directors asking them to self-assess the risk of each of the key governance systems in their service. The risk assessment would then be followed up with a controls assurance interview with Internal Audit, who would also seek evidence to support the management responses. At the end of the interviews, an assessment of the adequacy of the controls would be agreed between the Manager and Internal Audit, together with an action plan. The results would then be presented to the Deputy Directors, and then to the Director. Committee would receive a report showing the outcomes across the Council.

For 2015/16 the position was stronger regarding resources. A Principal Auditor was scheduled to return from maternity leave before July 2015; internal resource would be prioritised for planning to OCC and Thames Valley Police. The resourcing strategy with OCC and Buckinghamshire County Council will not be dependent on the sharing of resources (with the exception of the Chief Internal Auditor). The actual resourcing plan will be finalised towards the end of March 2015.

A member expressed concern that the Highway contracts had been removed from the plan due to concerns about slippage on contracts and value for money.. In response, Mr Dyson confirmed that in Audit terms there were no issues of concern presently and that slippage and value for money were performance issues.

RESOLVED: to:

- (a) approve the revised Internal Audit Plan; and
- (b) commission the Monitoring Officer to undertake the review of the Effectiveness of Internal Audit.

6/15 AGS ACTIONS PROGRESS REPORT

(Agenda No. 8)

The Committee had before them a report (AG8) which updated the Committee on progress against the six Annual Governance Statement Actions for 2014/15.

Mr Illingworth introduced the contents of the report highlighting progress made since the last report November.

A Member questioned the cost to the Council of the Chief Finance Officer and the Solicitor of the Council providing Section 151 and Monitoring Roles to the Growth Board.

In response, Mrs Baxter reported that she would cover her responsibilities as Section 151 Officer to the Growth Board in her briefing to the Committee in February on the Accountability of the Local Enterprise Partnership, but stated that the benefits to the County Council far outweighed the cost of her time.

RESOLVED: to note the progress on the AGS Actions.

7/15 ERNST & YOUNG

(Agenda No. 9)

The Committee considered the Local Government Audit Committee Briefing Paper (AG9).

Mr Witty introduced the paper. In relation to Government and Economic news, Mr Witty drew the committee's attention to the predicted funding gap by the end of 2015-16, of which £1.9 billion related to Adult Social Care.

Referring to page 83 of the report (Future of Local Audit) members expressed concern over the government proposals to bring the deadlines forward and over who would opt in to the sector led procurement arrangements.

Mr Grindley responded that a number of organisations would find the new deadlines extremely challenging and that Ernst & Young had put forward that view during consultation.

Referring to page 84, Mr Dyson highlighted the new arrangements around NFI checklists and suggested that the Committee debate the whole issue at a future meeting of the Committee.

RESOLVED: to note the report.

8/15 AUDIT WORK GROUP REPORT

(Agenda No. 10)

The Committee considered a report (AG10) which summarised the main business items arising at the most recent meeting of the Audit Working Group on 11 December 2014 which were as follows:

Adult social Care IT System project
Review of CEF and EE Risk Management Process
Risk Management Update
Work Programme

Ms Kate Terroni, Deputy Director Joint Commissioning attended to give a brief update to the Committee on the current status of Adult Social Care It System project.

A full report would be brought to the committee at its February Meeting. She reported that, following on from concerning comments received in relation to the Highlight report, progress had been made and that there were now excellent people in place. However, some holes still remained around the structure which and this was being addressed. There was now further clarity around the structure, including a smaller board and stakeholder group, a share point and an up to date risk register which electronically created a highlight report for boards review.

RESOLVED: to note the report.

9/15 COMMITTEE WORK PROGRAMME 2015

(Agenda No. 11)

The Committee considered its Work Programme (AG11).

RESOLVED: to adopt the Work Programme as set out below

Wed 25 February

SCS LEAN and IT system update (Kate Terroni)
Audit Committee Annual Report to Council 2014 (David Illingworth)
Council request to look at Demographics of Council. (Peter Clark)
Update on Hampshire Partnership (Lorna Baxter)
NFI Audit Committee Checklist (Ian Dyson)
Audit & Governance Annual Report to Council

Wed 22 April 2015

Internal Audit Services – Internal Audit Strategy & Annual Plan
Update on Hampshire Partnership (Lorna Baxter)
Review of Effectiveness of Internal Audit (Peter Clark)
External Auditors Progress Report (EY)
External Auditors Grant Claim Report (EY)

Wed 1 July 2015

Update on Hampshire Partnership (Lorna Baxter)
Annual Governance Statement - 2013/2014 (David Illingworth)
Annual Report of the Monitoring Officer (Peter Clark)
Annual Report of the Chief Internal Auditor (Ian Dyson)
Statement of Accounts 14/15 (Lorna Baxter)
Treasury Management Outturn 2014/15
Fire & Rescue Service Statement of Assurance 14/15
Progress Report -EY

16 September 2015

Final Accounts 14/15 (Lorna Baxter)
Local Government Ombudsman's Review of Oxfordshire County Council (peter Clark)
Annual Results –EY
Internal Audit Plan – Progress report (Ian Dyson)
RIPA (Richard Webb)

18 November 2015

Annual Letter (EY)

Treasury Management Mid Term Review (Lewis Gosling)

Annual Governance Statement – Action Plan Progress

January 2016

Treasury Management Strategy (Lewis Gosling)

Internal Audit Plan Update and Progress

..... in the Chair

Date of signing 2015

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Division(s): All

AUDIT & GOVERNANCE COMMITTEE - 25 FEBRUARY 2015

COUNCIL REQUEST TO CONSIDER DEMOGRAPHY OF COUNCIL

Report by County Solicitor and Monitoring Officer

1. In December 2014, Council received a report from the Independent Remuneration Panel on councillors' allowances. During the debate on that item, Council endorsed the Panel's view that overcoming obstacles to wider democratic representation required solutions other than simply revised allowances.
2. Council has therefore asked the Audit & Governance Committee to give consideration to this issue. This is with a view to the Committee setting up a working group of interested members to report back to the Committee on potential options that the Council may to encouraging greater diversity of representation.

Background

3. The Independent Remuneration Panel's report to Council in December 2014 mentioned in its final paragraph that "allowances cannot be the only means of overcoming obstacles to wider democratic representation". This was informed by the view that remuneration is only one factor in the encouragement of wider representation. Others factors may, for example, relate to opportunities for engagement in terms of the timing of formal meetings and of access to information. The focus is, however, on what the Council as an organisation might usefully achieve, as opposed to contributory solutions that may lie with political parties or other such bodies.
4. A key context for this issue is the national **Census of Local Authority Councillors** 2013. This annual survey, under the auspices of the Local Government Association, provides a robust benchmark for understanding the demography of councillor representation. The survey would provide an essential resource for the working group. It can be found online here: <http://www.nfer.ac.uk/publications/LGCL01/LGCL01.pdf>

Councillor profile – nationally and locally

5. The 2013 Census contains much information. Participation in the Census is voluntary and many of our County Councillors have regularly contributed over time. The profile in Oxfordshire is also a national one; and therefore so too are the factors which may encourage a wider representation.
6. For the present purposes, however, the 2013 Census does contain useful contextual information on:

- Age profile of councillors
- Gender
- Ethnicity
- Hours spent on councillor business
- Employment status

7. The County Council has not routinely collected this range of information about its County Councillors and so direct comparison is only possible as regards age and gender.

Headline information

8. Age profile: The Council effectively matches the national average for councillors aged 25-29 and for those in their 30s, 40s and 50s. The Council has a lower than average number of members in their early sixties. The County Council has a higher than average proportion of councillors aged 65 and above (52.2% as opposed to the average of 43.8%).
9. Gender: The Council largely matches the national average for the gender profile of its councillors. 66.6% being male and 33.3% female (compared to 67.3% and 31.7% nationally).
10. Ethnicity: Nationally, 96% of councillors are 'white'. The Council does not record ethnicity of councillors.
11. Hours spent on councillor business: Nationally, councillors spent on average 20.8 hours per week on the full range of councillor (non-party group) business. The Council has not undertaken a survey of its members' time commitments since 2010.
12. Employment status: Nationally, 19.2% of councillors were in full-time paid employment; 9.5% in part time paid employment; 16% were self-employed; 46.6% were retired and 3% were looking after a home/family, with 5.5% not working; 0.3% were in full-time education. The majority of employed councillors were from the private sector (65.4%).

Way forward

13. The Committee is invited to set up a working group of members to review the potential obstacles to wider democratic representation within Oxfordshire County Council. The Group would no doubt wish to review the Council's meeting arrangements, and the facilities and other support arrangements for councillors as well as any issues or conclusions arising from the 2013 Census of councillors.
14. The Committee may consider the following terms of reference for the Group to be appropriate:

- Membership: A cross-party group of members of the Committee
- Remit: To suggest options to the Audit & Governance Committee of ways in which the County Council might encourage wider democratic representation of the Council
- Sources: Local and national information, including the 2013 Census.
- Timescale: Three months

RECOMMENDATION

15. **The Committee is RECOMMENDED to:**

- (a) **appoint a cross-party working group of members of the Committee to review how the County Council may encourage wider democratic representation to the Council;**
- (b) **agree the terms of reference at paragraph 13;**
- (c) **ask the Monitoring Officer to provide support to the working group.**

PETER CLARK

County Solicitor & Monitoring Officer

Contact Officer: Peter G Clark

Background papers: Nil

February 2015.

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.





Government and economic news

Autumn statement

In the Autumn Statement, released on 5 December 2014, the government announced a number of changes to the business rates regime, and employer's national insurance. The changes are summarised as follows:

Business rates

- ▶ Doubling of Small Business Rate Relief has been extended until April 2016
- ▶ The 2% cap on the RPI increase in the business rates multiplier has been extended until April 2016
- ▶ The discount for shops, pubs, cafes and restaurants with a rateable value of £50,000 or below has been increased from £1,000 to £1,500 in 2015/16
- ▶ The Government intends to carry out a review of the future structure of business rates, and will report by Budget 2016. Terms of reference will be published in due course
- ▶ Transitional arrangements for properties with a rateable value of £50,000 or below, and which would have faced significant increases in their business rates, have been extended from 1 April 2015 to 31 March 2017
- ▶ Backdating rules will be changed so that for VOA alterations before 1 April 2016 and ratepayers' appeals before 1 April 2015, changes to rateable value can only be backdated to the period between 1 April 2010 and 1 April 2015
- ▶ The Government has also published a discussion paper on business rates avoidance. The consultation on this, which closes on 28 February 2015, invites responses on methods and scale of avoidance as well as how it may be tackled

National insurance

- ▶ From April 2016, the Government is abolishing employer National Insurance contributions on earnings up to the Upper Earnings Limit for apprentices under 25, in order to progress towards full employment and create a more highly skilled labour market
- ▶ From April 2015, employers will no longer have to pay National Insurance contributions for employees up to the age of 21, on earnings up to the Upper Earnings Limit

Welfare reform

Funding

The Government has held a consultation on how local welfare provision should be funded in 2015/16. This consultation closed on 21 November 2014 and the results are expected early in 2015. Parts of the discretionary Social Fund were abolished by the Welfare Reform Act 2012, and following this, all of the available funding for the Community Care Grant and Crisis Loans elements were passed to upper tier English local authorities and the devolved administrations on the basis of historical demand and spend data. The funding for 2014/15 was adjusted to take account of predicted efficiency savings. It was intended that from April 2015, local welfare provision would be funded from the general grant, rather than ring-fenced, but this decision was recently challenged in judicial review and so the Government has



Government and economic news

committed to making a new decision on how this should be funded. The three options the Government is considering are as follows:

- ▶ Funding local welfare provision from existing local budgets with no separately identified or ring-fenced provision
- ▶ A published figure showing how much of each local authority's Settlement Funding Assessment notionally relates to local welfare provision, with the total national figure decided by Government
- ▶ Topslice Revenue Support Grant to fund a section 31 grant, which would ring-fence the funding for local welfare provision, although the total amount of funding would not change

Although the consultation responses are still being analysed, the Provisional Local Government Settlement 2015/16 contains an amount separately identified, but not ring-fenced, for local welfare provision.

Universal credit

Universal Credit is also rolling out to more areas, and is predicted to be available in a third of jobcentres by spring 2015. From November 2014, Universal Credit is being opened up to families on a phased basis, starting with six jobcentres in the North West. The last new claims to legacy benefits, including housing benefit, which is administered by local authorities, will be accepted during 2017, after which the number of remaining legacy claims will progressively decline and the remainder will be migrated to Universal Credit. This exercise is expected to be largely complete by 2019.

Data sharing

The Government is also consulting on draft regulations to enable data sharing in relation to Universal Credit between DWP and local support providers. This would allow the sharing of data between DWP and local authorities, citizens advice bureaux, credit unions, social landlords and relevant registered charities, in order to identify Universal Credit claimants who need additional support and ensure this support is in place. This Universal Support programme is already being trialled in 11 partnership areas. The proposed changes would come into force from February 2015 and be implemented from March 2015.

Financial sustainability of local authorities

The National Audit Office has published a report on the Financial Sustainability of Local Authorities following the reductions in funding implemented as part of the Government's plan to reduce the deficit. This report summarises the evidence of the impact of funding reductions on local authorities, assesses how well the Department for Communities and Local Government keeps itself informed of the risks and impacts of its funding changes, and assesses whether the Department is managing the risks that its funding reductions will lead to local authorities failing to deliver their statutory services. The key findings are that:

- ▶ In real terms, Government will reduce funding to local authorities by 37% between 2010/11 and 2015/16
- ▶ Local authorities have coped well with these reductions, with no financial failures so far



Government and economic news

- ▶ There is evidence that reductions in funding have led to a fall in volumes of service, although local authorities have tried to protect funding in core areas such as social care
- ▶ In their data returns to the Audit Commission on financial resilience, local auditors report that 16% of single tier and county councils are not well placed to deliver their 2014/15 budgets, and that 52% of such authorities are not well placed to deliver their medium term financial strategies

Meanwhile, the Government has published a provisional Local Government finance settlement for 2015/16 setting out the distribution of Revenue Support Grant (RSG) and retained business rates income.

The provisional settlement includes:

- ▶ A reduction for each authority in the distribution of RSG by reducing each element in proportion to the reduction in the 2015/16 national control total for that element
- ▶ Funding for the Improvement and Development Agency for Local Government of £23.4mn
- ▶ An increase in the rural funding element of RSG from £11.5mn to £15.5mn
- ▶ An adjustment to funding for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Treasury

- ▶ Protection against reduction in revenue spending power of more than 6.4% in 2015/16 through the Efficiency Support Grant

Council tax and business rates collection

The Audit Commission have used information that they have collected from their Value for Money profiles to produce a briefing on council tax and business rates collection. This has identified that the collection rate for council tax has dropped by 0.4% from 2012/13, to 97% in 2013/14, whereas the collection rate for business rates has increased by 0.2% from 2012/13, to 97.9%. In real terms, the collection of both has increased; council tax by 2.7% and business rates by 1.8% from the previous year. The total amount of council tax arrears at 31 March 2014 was 6% higher than in the previous year, standing at £2.53bn. The collection rates for council tax vary by council type; districts had the highest in-year collection rate at 98.0% whereas Metropolitan districts had the lowest, averaging 95.6%. A similar pattern is seen for business rates.



Accounting, auditing and governance

Future of local audit

In our last briefing, we told you about the Government's consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded and the results have been published. The Government intends to lay finalised regulations before Parliament early in 2015. The consultation covered:

- ▶ Smaller Authorities' Regulations regarding transparency and the appointment of external audit
- ▶ Collective procurement of audit for local authorities, including the principle of a maximum length of appointment period
- ▶ The role of the Specified Person in auditor appointment
- ▶ The Accounts & Audit Regulations, including electronic publication of the accounts, standardisation of the inspection period, and compression of the audit timetable
- ▶ Transparency Code for Internal Drainage Boards, Charter Trustees and Port Health Authorities

A key area is that the Government has decided to retain the proposed approach of bringing forward the accounts deadline

to 31 May and the audit deadline to 31 July, from the 2017/18 accounts. The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management. This will clearly be a significant change for Local Authorities which will require early planning to ensure successful implementation.

The Local Audit and Accountability Act also enhances the role of the National Audit Office (NAO), which becomes responsible for preparation of the Code of Audit Practice; the document setting out what local auditors are required to do. The NAO have also started to augment their programme of Value for Money work, looking more explicitly at local services in areas including:

- ▶ Public health
- ▶ Adult care assessments
- ▶ Care for people with learning disabilities
- ▶ Children's services
- ▶ City deals
- ▶ Housing



Accounting, auditing and governance

Auditing the accounts

The Audit Commission has been publishing the Auditing the Accounts report since 2008/09, and the latest issue shows a considerable improvement in the number of principal bodies publishing their accounts by the deadline of 30 September. 506 out of 512 principal bodies met the statutory accounts publication requirements, and 16 of these published their audited accounts by 31 July. At five principal bodies, the responsible financial officer had not signed and certified the accounts by 30 June. No non-standard audit opinions had been issued by the date of publication, but there were nine bodies where the auditor had not been able to issue the opinion by 30 September. Of these nine, six had been issued by the end of October. The report also covers small bodies, including parish councils and Internal Drainage Boards.

The report identifies challenges for 2014/15 and beyond, including the following:

- ▶ Financial reporting timetable – the report notes that the timetable will be brought forward by two months from 2017/18; with audit bodies being required to submit draft accounts for audit one month earlier than at present
- ▶ Transport infrastructure assets – there will be a fundamental change to the measurement basis of these assets which will affect all Highways authorities and non-highway authorities with material transport infrastructure assets. Taking effect from 1 April 2016, depreciated replacement cost will be used instead of the current depreciated historic cost. It is conservatively estimated that this will add at least £200 billion to the net worth of local authority balance sheets. In 16/17 this will include disclosure of 14/15 asset values as part of the balance sheet

For both of these changes EY will be issuing Audit Committee Briefings and/or Technical Papers as well as carrying out preparedness reviews to assist client and non-clients to meet these challenges.



Regulation news

Consultation on changes to the Bellwin scheme of emergency financial assistance to authorities

A review was set up in 2014 to assess any permanent changes which may be needed to the Bellwin scheme as a result of more frequent severe weather events. This review considered the existing terms of the scheme, including thresholds, grant rate and eligible spending criteria. The Government has held a consultation on suggested revised principles following this review. The consultation ended on 1 January 2015.

The Bellwin scheme covers only emergency spending incurred as a result of immediate action to safeguard life and property, or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the local authority area. Funding for longer term recovery from emergencies will be considered separately. The Government's proposal intends to refocus the scheme on emergency response, rather than recovery.

Previously, the threshold requirement was 0.2% of a local authority's calculated annual revenue budget, and 85% of expenditure above this threshold was funded. From 2013/14, the thresholds were reduced by excluding education budgets for County and Unitary authorities, and 100% of costs above

this threshold were funded. The Government proposes to retain these revised thresholds, and to publish the value of each local authority's provisional threshold alongside the finance settlement each year.

The Government is proposing to limit the time period for eligible spending to one month from when the incident was agreed to have moved from response to recovery. Ministers would retain the choice over when to activate the scheme, and would have discretion over when the period ended. Local authorities would have a longer period of three months to collate costs and claim for reimbursement. The Government also intends to widen the range of activities covered by Bellwin funding, to include some forms of capital spending. However, although emergency highway clear-up costs would be covered, repair to the damaged surfaces of roads and highways will remain ineligible.

Illustrative Bellwin thresholds were published as part of the Provisional Local Government Settlement 2015/16 on 18 December 2014.



Regulation news

Better Care Fund

The National Audit Office (NAO) has recently released a report on the Better Care Fund. The Fund, consisting of money reallocated from existing budgets, involves pooling £3.8bn from 2015/16 for health and social care services to work more closely together, with the ambition that integrated care would be the norm by 2018. All 151 local areas submitted plans by April 2014 but Ministers did not approve the plans as initially intended. This was because after analysing the plans, NHS England concluded that the savings estimates were not credible, that some of the over-optimism shown came from insufficient engagement with acute trusts in planning, and some aspects of the plans needed further development. From May to July 2014, the two departments involved (Department of Health and Department of Communities & Local Government) revised the conditions attached to the fund, as well as improving the governance and programme management of the Fund in July 2014. These changes reduced the time available for local planning, which would have started from

April 2014. However, of the revised plans submitted in September 2014, almost two thirds were approved with no or minor changes, and a third were approved with conditions. Five plans were not approved. Protection of social care services is identified to be the biggest risk area. The NAO's conclusion is that pausing and redesigning the scheme was the right thing to do.

EY have worked with a large number of CCGs and local authorities to help develop plans, or challenge their robustness and governance arrangements. For more information on how EY can support you, contact your engagement lead.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Will we be prepared for an earlier closedown for the 2017/18 accounts?

- ▶ Have we critically reviewed the accounts and identified areas where they can be streamlined?
- ▶ Have we identified any disclosures or other areas which could be prepared early?
- ▶ Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
- ▶ Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- ▶ Is resourcing within finance teams sufficient? Are there any areas which will need additional support?
- ▶ Do we have plans in place to start producing interim financial statements at month 9 if this is something that we do not already do?

Are we prepared for the change to the measurement basis of transport infrastructure assets?

- ▶ Do we have material transport infrastructure assets?
- ▶ Have we reviewed the key actions and milestones within LAAP bulletin 100? Do we have a project plan in place with sufficient resources in place to deliver? Does our plan include sufficient input from both finance and highways officers?



Find out more

Autumn statement

Read the Autumn Statement in full at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

Welfare reform

Details of the consultation are at:

<https://www.gov.uk/government/consultations/local-welfare-provision-in-2015-to-2016>

Financial sustainability of local authorities

You can find the NAO report at:

<http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/>

The provisional local government finance settlement is available at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016#provisional-settlement-2015-to-2016>

The Government's '50 ways to save' guide can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39264/50_ways_2.pdf

Council Tax & Business Rates Collection

Read the Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/>

Future of local audit

The consultation is available at:

<https://www.gov.uk/government/consultations/local-audit-regulations>

The NAO have detailed their new role in local audit at:

<http://www.nao.org.uk/report/the-naos-role-in-local-audit/>

Auditing the accounts

Read the full report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/12/20141204-Auditing-the-Accounts-2013-14-LG-FINAL-FOR-WEB.pdf>

Consultation on changes to the Bellwin scheme

When available the results of the consultation will be published at:

<https://www.gov.uk/government/consultations/bellwin-scheme-of-emergency-financial-assistance-to-local-authorities>

Better care fund

Find the NAO's report on the better care fund at:

<http://www.nao.org.uk/wp-content/uploads/2014/11/Planning-for-the-better-care-fund-summary.pdf>

About EY

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Audit Progress Report

Year ending 31 March 2015

Oxfordshire County Council

25 February 2015

Ernst & Young LLP



EY

Building a better
working world

Audit and Governance Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

25 February 2015

Direct line: 0776 993 2604

Email: mgrindley@uk.ey.com

Dear Members

Audit Progress Report 2014/15

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2014/15 audit and ensure our audit is aligned with the Committee's expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We provided our Audit Fee Letter to the Chief Executive and the Audit Committee in April 2014.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
Director
For and Behalf of Ernst & Young LLP
UK

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1. Planned work

2013/14 Grant Claims

We have completed our certification of the Council's returns and claims. Our report will be presented to Members at the February 2015 Audit and Governance Committee.

2014/15 Planning

We will discuss our proposed work with Senior Managers before producing a draft plan for discussion with you at the April 2015 Committee.

Meetings

We will continue regular meetings with key officers as part of our ongoing audit process including:

- ▶ Fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work;
- ▶ Quarterly meetings with the Director of Finance and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit.

Audit Committee

If members of the Audit Committee have any particular issues they want to discuss with us we would be pleased to discuss these with you.

2. Timetable

Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2014/15 Audit and Governance Committee cycle.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate.

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

Audit phase	Timetable	Deliverable
High level planning:	April 2014	Fee Letter provided to the Chief Executive and Chair of the Audit Committee in April 2014
Risk assessment and setting of scopes	March 2015	Audit Plan - Reported to Those Charged With Governance April 2015
Update on progress and interim feedback	March 2015	Progress report - Reported to Those Charged With Governance July 2015
Value for money conclusion	January/September 2015	Ongoing
Year-end audit	July – September 2015	Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification Report to Those Charged With Governance September 2015
Reporting	November 2015	Annual Audit Letter
Grant claims	January 2016	Report on the audit of grant claims

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

Planning discussions

We will update our planning throughout the course of our audit.

Appendix A Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
2013/14 grant claim report	January 2015	Completed	Reported to the Audit Committee January 2015
Audit Plan	March 2015	not due	
Report to Those Charged with Governance	September 2015	not due	
Audit Report (including opinion and vfm conclusion)	September 2015	not due	
Audit Certificate	September 2015	not due	
WGA Certificate	October 2015	not due	
Annual Audit Letter	October 2015	not due	
Report on the Audit of Grant Claims	January 2016	not due	

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Certification of claims and returns annual report 2013-14

Oxfordshire County Council

25 February 2015

Ernst & Young LLP



Building a better
working world

Members of the Audit and Governance Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

25 February 2015

Ref: OCC Grants
Direct line: 07769 932604

Email: mgrindley@uk.ey.com

Dear Members

Certification of claims and returns annual report 2013-14 Oxfordshire County Council

We are pleased to report on our certification work. This report summarises the results of our work on Oxfordshire County Council's 2013-14 claims.

Scope of work

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

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and the submission deadlines.

Certification work is not an audit. It involves executing prescribed tests designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013-14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary, audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and the Audit Commission website.

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

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

Summary

Section 1 of this report outlines the results of our 2013-14 certification work.

We reviewed one return during the year, the Local Transport Plan Major Projects return, under the Audit Commission regime. The return did not need an amendment or a qualification letter.

Fees for certification work are summarised in section 2. The indicative fees for 2013-14 are based on final 2011-12 certification fees and did not contain an amount for the Local Transport Claim. We have agreed a fee with the Council and are currently waiting for Audit Commission approval. Fees for schemes no longer requiring certification have been removed.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee on 25 February 2015.

Yours faithfully

Maria Grindley
Director
Ernst & Young LLP
United Kingdom

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1. Summary of 2013-14 certification work

We reviewed one claim during the year and our findings are set out below.

Local transport plan major projects

Scope of work	Results
Value of return presented for certification	£1,342,542
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2013-14	£4,541
Fee – 2012-13	None as first year of claim
Recommendations from 2012-13:	Findings in 2013-14
None as first year of claim	No issues

The Department for Transport (DfT) pays grants under section 31 of the Local Government Act 2003. The funding supports major projects such as large public transport infrastructure or road construction schemes, and is available up to 100 per cent of approved costs. For each approved project, DfT issues an annual grant determination to its managing authority. This sets the general terms of grant, as well as any project specific terms. Auditor certification is required for final claims and where DfT has requested an interim certification for ongoing projects.

Working papers and responses to queries were accurate and prompt and this enabled the work to be delivered on time.

2. 2013-14 certification fees

From 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

Claim or return	2012-13	2013-14	2013-14
	Actual fee £	Indicative fee £	Proposed fee(1) £
Certification of claims and returns – annual report	1,170	0	4,541
Grant planning, supervision and review (2)	0	0	0
Total	1,170	0	4,541

Proposed fee (1) requires Audit Commission approval which is currently being sought.

Grant planning, supervision and review (2) is included in the indicative fee proposed by the Audit Commission

The above table reflects the fee for the Teacher Pension Fund which was audited in 2012-13; in 2013/14 there was no requirement to audit this within the requirements of the Audit Commission regime.

3. Looking forward

For 2014-15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012-13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014-15 is £0. If further claims are required to be audited under the Audit Commission regime (or successor body) we will discuss the proposed fee with you and we must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012-13 fees.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

Details of individual indicative fees are available at the following link:

[<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-fees-and-work-programme/individual-certification-fees/>]

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made, or does not intend to make, certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements.

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AUDIT AND GOVERNANCE COMMITTEE – 25 FEBRUARY 2015

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 12 February 2015

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr Wilmshurst; Cllr R Smith; Cllr N Hards; Cllr J Hannaby; Lorna Baxter, and Ian Dyson.

Part meeting only: AWG14.34 Steve Thomas and Gill Halstead; AWG14.35 Jackie Wilderspin and Alan Rouse; AWG14.36 Neil Shovell

Apologies: Cllr S Lovatt; Peter Clark

Matters to report:

There were three main items considered at the meeting with no material matters for reporting to Committee:

AWG 14.34 and AWG 14.35 Review of SCS and Public Health Risk Management Process

The Group reviewed the risk registers and were content with the risk management processes.

AWG 14.36 Internal Audit Update

There have been no material issues identified by Internal Audit since the last update. The outstanding actions were reviewed and whilst overall the implementation rates are very good, the group was concerned at number still outstanding where managers had not updated the system. The Group requested more details on these actions at the next meeting.

AWG 14.37 AWG Terms of Reference

The annual review of the Terms of Reference was completed by the Group, with no material changes recommended. The terms of reference are attached as annex 1 to this report.

AWG 14.38 Work Programme

The updated work programme is attached as annex 2 to this report. There were three additions identified at the meeting:

The private session with the Chief Internal Auditor will be scheduled for the hour preceding the Audit & Governance Committee meeting on Wednesday 22 April 2015 (1:00-2:00pm).

The private session with Ernst and Young will be scheduled for the hour preceding the Audit & Governance Committee meeting on Wednesday 16 September 2015 (1:00-2:00pm).

At the meeting on Thursday 9 April, Ernst and Young will present the annual Fraud Benchmarking report produced by the Audit Commission.

RECOMMENDATION

The Committee is RECOMMENDED to note the report.

LORNA BAXTER

Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor Tel 01865 323875
ian.dyson@oxfordshire.gov.uk

ANNEX 1

Audit Working Group Terms of Reference

Membership

The Audit Working Group shall comprise of:-

the independent member of the Audit and Governance Committee who will chair the Group, together with three members of the Audit and Governance Committee, one of whom shall be the Chairman of the Committee. There will also be up to three named members of the Audit and Governance Committee who will deputise as required.

The Chief Finance Officer, the Monitoring Officer and Head of Law and Governance, and the Chief Internal Auditor, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit and Governance Committee can attend Audit Working Group Meetings as observers.

Role

The Audit Working Group shall:

act as an informal working group of the Audit and Governance Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference (Part 2 Article 8 Section 1a of the Constitution);

routinely undertake a programme of work as defined by the Audit and Governance Committee;

consider issues arising in detail as requested by the Audit and Governance Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Chief Internal Auditor only.

Reporting

The Chief Finance Officer will report to the Audit & Governance Committee on matters identified by the Group following consultation with the Chairman and members of the Group.

Meeting

The Group shall meet regularly in cycle with the Audit Committee.

The Group may invite any officer or member of the Council to attend its meetings to discuss a particular issue and may invite any representative of an external body or organisation as appropriate.

Confidentiality

The Group will meet in private to allow full and frank consideration of audit, risk and control issues.

All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit & Governance Committee for information whether attending the Group or not.

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a 'need to know' as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

UpdatedFebruary 2015

Review Date.....February 2016

Officer Responsible Ian Dyson, Chief Internal Auditor
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ANNEX 2

**AUDIT WORKING GROUP
TIMETABLE AND WORK PROGRAMME 2015/16**

09 April 2015 - 14:00 - 16:00

- Indicative Annual Governance Statement actions for 2015/16 - David Illingworth
- Internal Audit Progress Report - Ian Dyson
- Risk Management Report - Ian Dyson
- C EX Risk Register - Eira Hale
- Oxfordshire Fire & Rescue Service Risk Register - Richard Smith
- Whistleblowing Incidents 2014/15 - Peter Clark
- 2014/15 NFI summary - Ian Dyson
- Fraud Benchmarking Report - EY

Special AWG - 22 April 2015 1:00 - 2:00

- Private meeting with Chief Internal Auditor

11 June 2015 - 14:00 - 16:00

- Follow up on governance issues in ITU - Alexandra Bailey
- Draft Annual Governance Statement - Peter Clark
- Internal Audit Report - Ian Dyson
- Risk Management Report - Ian Dyson
- Strategic Risk Register - Ian Dyson

03 September 2015 - 14:00 - 16:00

Date in calendar if required

Special AWG - 16 September 2015 1:00 - 2:00

- Private meeting with Ernst & Young

15 October 2015 - 14:00 - 16:00 (Audit & Governance meeting 18 November 2015)

- Risk Management Update
- Directorate annual risk management review (CEF)
- Internal Audit Update

05 November 2015 - 14:00 - 16:00

Date in calendar if required

09 December 2015 (WEDNESDAY) - 14:00 - 16:00 (Audit & Governance meeting 13 January 2016)

- Internal Audit update
- Risk Management Update

- Directorate annual risk management review (EE)

IAN DYSON
Chief Internal Auditor