



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

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

Wednesday, 22 April 2015 at 2.00 pm

Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

April 2015

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Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Sandy Lovatt

Councillors

Jamila Azad
David Bartholomew
Yvonne Constance OBE

Tim Hallchurch MBE
Jenny Hannaby
Nick Hards

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 1 July 2015***
- ***Members are asked to note that from 1.00 – 2.00 pm on Wednesday, 22 April 2015 (i.e. pre the Audit & Governance Committee Meeting) there will be a training session for Members on understanding and interpreting the statements of accounts***

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 - 8)

To approve the minutes of the meeting held on 25 February 2015 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

5. Q4 Progress Report 2014/15 and Interim Internal Audit Strategy 2015-16 (Pages 9 - 36)

2:10

Report by the Chief Internal Auditor (**AG5**).

This report presents the Internal Audit progress report for 2014/15 and the Interim Internal Audit Strategy for the first quarter of 2015/16.

The committee is RECOMMENDED to

- a) Note the progress with the 14/15 Audit Plan and the outcome of the completed audits;*
- b) Approve the Interim Internal Audit Strategy for 2015/16 and the Q1 Plan; and,*
- c) Agree the 2015/16 performance indicators.*

6. Scale of Election Fees and Expenditure 2015/16 (Pages 37 - 42)

2:30

Report by the County Solicitor & Monitoring Officer (**AG6**).

Each year the Council needs to set a scale of election fees and expenditure for the holding of elections of county councillors. The Committee is requested to approve the proposed Scale of Expenditure as set out for any by-elections of County Councillors that may be held during 2015/16.

The same scale of expenditure will be used for any local referendums e.g. a council tax or mayoral referendum.

The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2015/2016, as shown in Annex 1 of this report, for the election of County Councillors and any other local referendums.

7. Audit & Governance Annual Report to Council (Pages 43 - 56)

2:40

Report by the Chairman of the Audit & Governance Committee to be presented to The Council (**AG7**).

The Annual Report sets out the role of the Audit & Governance Committee and summarises the work that has been undertaken both as a Committee and through the support of the Audit Working Group in 2014.

The Committee is RECOMMENDED to consider the Annual Report and suggest any additions or amendments.

8. Annual Governance Statement - Actions (Pages 57 - 70)

3:00

Report by the County Solicitor & Monitoring Officer (**AG8**)

Audit & Governance Committee agreed the Council's Annual Governance Statement (AGS) for 2013/14 in July 2014. The 'Statement' sets out details of our governance arrangements.

The AGS listed 6 'Actions' that were planned to improve our governance, for implementation in 2014/15. This report considers whether these actions have been completed or whether more work will be needed on them in 2015/16 - in which case they will be included as on-going Actions in the next AGS.

The next AGS, for 2015/16, will be considered by the Audit Working Group on 11 June and by this Committee on 1st July.

The Committee is RECOMMENDED to agree and confirm the progress made on the actions planned for 2014/15 which will be reported in the next Annual Governance Statement.

9. Future of Adult Social Care in Oxfordshire - Regular Progress update on Implementation Plan

3:20

Kate Terroni, Deputy Director Joint Commissioning, 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 Committee is RECOMMENDED to receive the presentation.

10. Update on Hampshire Partnership

3:40

Hilary Cameron, Finance Lead Transforming OCS Project, and John McKenna, Oxfordshire Customer Services, will attend to give a brief presentation to the Committee.

The presentation will update the Committee 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 set out progress to date, requirements of User Acceptance Testing and advise on arrangements for ensuring the wider Council is ready for the forthcoming changes. It will also provide an update on the related Impacts project.

The Committee is RECOMMENDED to receive the presentation.

11. Ernst & Young External Auditors - Annual Fee Letter 2015-16 (Pages 71 - 74)

4:00

The Report attached (**AG11**) contains the letter setting out the annual fee for the audit and certification work that Ernst & Young propose to undertake for the 2015-16 financial year.

A representative from Ernst & Young will attend for this item.

12. Ernst & Young External Auditors - Audit Plan 2014-15 (Pages 75 - 96)

4:10

The Audit Plan (**AG12**) is attached for the Committee's consideration. Its purpose is to set out how Ernst & Young intend to carry out their responsibilities as Oxfordshire County Council's Auditor.

A representative from Ernst & Young will attend for this item.

13. Ernst & Young External Auditors - Sector Briefing (Pages 97 - 108)

4:25

The Report attached for the Committee's consideration (**AG13**) covers issues that may have an impact on Oxfordshire County Council, the Local Government sector and the Audits that Ernst & Young undertake.

A representative from Ernst & Young will attend for this item.

The Committee is RECOMMENDED to note the report.

14. Response from the Office of Surveillance Commissioners on the use of the RIPA and under age test purchasing (Pages 109 - 110)

4:35

Following concerns raised by the Audit & Governance Committee regarding RIPA and under age sales test purchasing, the County Solicitor, on behalf of the Committee, wrote to The Office of Surveillance Commissioners. Attached is a response (**AG14**) received from The Office of Surveillance Commissioners, who appear to have taken into account the Committees concerns and have amended their procedures and guidance to be less restrictive in the requirements on test purchasing.

The Committee is RECOMMENDED to note the response from The Office of Surveillance Commissioners.

15. Audit & Governance Committee Work Programme (Pages 111 - 112)

4:40

To review/update the Committee's work programme (**AG15**).

16. Date of next meeting

4:55

In order that Members can receive the completed draft statement of accounts it is suggested that the meeting of 1 July 2015 be moved to 8 July 2015 at 2:00pm.

Taking into account the potential work programme for the Committee, the Chairman is also minded to hold an additional Committee meeting in June and members' views are requested.

CLOSE OF MEETING

5:05

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 in the Members' Boardroom at County Hall on **Thursday 16 April 2014** at **14:00** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 25 February 2015 commencing at 2.00 pm and finishing at 5.05 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 Roz Smith
Councillor Glynis Phillips (In place of Councillor Nick Hards)
Councillor Patrick Greene (In place of Councillor Tim Hallchurch MBE)
Councillor Lawrie Stratford (In place of Councillor Simon Hoare)

Non-voting Member Dr Geoff Jones

By Invitation: Mrs M Grindley and Mr A Witty, Ernst & Young

Officers:

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

Part of meeting

Agenda Item	Officer Attending
5	Kate Terroni, Deputy Director for Joint Commissioning and Kate Macleod; Martyn Ward, Head of ICT Business Delivery.
6	Nigel Tipple, Chief Executive, LEP
7	Peter Clark, County Solicitor & Monitoring Officer
8	Hilary Cameron, finance Lead Transforming OCS Project and Sarah Currell and John McKenna, Customer Services.

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.

10/14 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 14 January 2015 were approved and signed subject to the following correction to Minute 7/15:

“Mr Grindley” to read “Mrs Grindley”.

Matters Arising

Minute 2/15 – Minutes

Mr Dyson asked for his apologies to Councillor Bartholomew to be recorded as he had not, as previously indicated, emailed the Councillor to confirm the accuracy of the response provided to his question on contract management training, (minute 61/14).

Mr Bartholomew questioned again why, given the resolution of the Committee, had the recommendation before Council been for one officer, one member and one independent person. Mrs Miller pointed out that Councillor Bartholomew had received a full and detailed response to this matter.

Mr Clark reiterated that Council had asked him, as monitoring officer, to carry out a review and give his recommendations back to Council. Mr Clark carried out extensive consultation when formulating his recommendations and in fact the recommendation in November to have 2 officers and one independent member had been changed as a result of the comments from the Audit & Governance Committee to one officer, one independent person and one member. This was then agreed by Cabinet and the Council. Ultimately, it was a decision for Full Council to take and was agreed in December.

Councillor Bartholomew questioned what kind of qualifications and experience the Independent panel members would have and from where they would be drawn. In response, Mrs Miller confirmed that the independent members would be drawn from an existing pool of experienced and qualified Independent Panel Members currently used by the Council for Independent Appeal Panels on Education Appeals.

Councillor Bartholomew requested that he be supplied with the names and relevant qualifications of Independent Panel Members.

11/14 SCS LEAN AND IT SYSTEM
(Agenda No. 5)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the new Social Adult Care Project LEAN and IT system. Accordingly, Kate Terroni, Deputy Director Joint Commissioning and Kate Macleod, together with Martyn Ward, Head of ICT Business and Delivery had been invited to attend to give a presentation to the Committee.

The presentation (attached to the signed copy of the minutes) updated 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 also gave an overview of the governance arrangements of the Projects, highlighted key changes in the way that services would be provided and advised on arrangements for ensuring the wider Council and its partners were aware and ready for the system go live in mid-2015.

In response to questions, the Deputy Director assured the Committee that the team had been retrained and that she was satisfied that the right people were in the right jobs. A lot of additional resources have been given to the project to ensure that it was delivered with a high level of accuracy and on time.

She further acknowledged the risks around the Funding Reform that might be coming into force in April 2016 and the additional workload this could create although officers would not know whether this was happening until July.

In response to a questions around data migration, including whether 100% was achievable and the percentage of migration that had happened, Mr Ward gave an undertaking to provide members with the figures of migration that had happened and Mrs Terroni, whilst accepting that timescales were very tight, assured the Committee that procedures were in place such as monthly operation boards looking at the accuracy of data and additional resource.

Mr Dyson, Chief Internal Auditor also confirmed that from an Audit point of view he was satisfied that the correct project governance arrangement were in place.

RESOLVED: to receive the presentation and receive a further update at its meeting in April

12/14 ACCOUNTABILITY OF THE LOCAL ENTERPRISE PARTNERSHIP

(Agenda No. 6)

The Committee had asked to be given a presentation on the County Councils accountability in respect of the Local Enterprise Partnership (LEP) and the Growth Board. Accordingly, the Chief Finance Officer gave a presentation to the Committee (a copy of which is attached to the signed copy of the minutes) which provided the Committee with some background in relation to the formation of the LEP, the funding that was routed via the LEP and an understanding of what it meant to be the accountable body for the LEP. The presentation also covered the governance arrangements of the LEP and the relationship between the LEP and the Growth Board.

The Chief Executive of the LEP, Mr Nigel Tipple was also in attendance.

Mrs Baxter stressed that the Government had been using the LEP's as a mechanism to pass various funding streams through to deliver economic development, but that this was enabling the priorities of the Local Authority to be funded. The Local Authority will be undertaking borrowing on behalf of the LEP which will be repaid through income from business rates in the Enterprise Zone, but that this was only a small proportion of the total business rate income expected over the life of the Enterprise Zone. She assured the Committee that, although the situation had been identified as a risk, it was being managed as capacity has been built into the budget to manage the cash flow should there be insufficient business rates in the first instance.

She further confirmed that the County Council had a memorandum of understanding and an assurance framework with the LEP to ensure responsibilities of both parties are clearly defined.

The Committee thanked The Chief Finance Officer for her comprehensive presentation and the Chief Executive of the LEP for attending.

13/14 COUNCIL REQUEST TO LOOK AT DEMOGRAPHICS OF COUNCIL

(Agenda No. 7)

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 demographic representation required solutions other than simply revised allowances.

Council had therefore asked the Audit & Governance Committee to give consideration to this issue. This was 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 might adopt to encourage greater diversity of representation.

During discussion Councillor Bartholomew stated that, since the aim of the recommended cross-party working group would be to review how the County Council may encourage wider demographic representation and attract younger members, involvement with that working group should not be limited only to members of the Audit & Governance Committee.

Peter Clark, County Solicitor and Monitoring Officer, stated that whilst the Audit and Governance Committee could cast the net wide with regards to participation in the cross-party working group and task that working group with producing a report to inform the members of the Committee, it would ultimately be for the Committee to make recommendations to Cabinet.

Mr Clark stated that, to begin with, he would be happy to write to all members of the Committee with regards to setting up the working group.

RESOLVED:

- (a) to ask the Monitoring Officer to write to all members of the Audit & Governance Committee and Working Group to seek volunteers for a cross party working

group of members to review how the County council may encourage wider democratic representation to the Council with the recommendations coming to the Audit & Governance Scrutiny;

- (b) agree the terms of reference at paragraph 13;
- (c) Ask the Monitoring Officer to provide support to the working group.

14/14 UPDATE ON HAMPSHIRE PARTNERSHIP

(Agenda No. 8)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the proposed partnership arrangements with Hampshire County Council. Accordingly Hilary Cameron, Finance Lead Transforming OCS Project, Sarah Currell, Work stream Lead, HR and John McKenna, Oxfordshire Customer Services had been invited to attend and give a presentation to the Committee on this issue.

The presentation updated the Committee on progress on the 'On Boarding' Project for the partnership arrangements with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015, including an overview of the governance arrangements of the Project, highlighting key changes in processes for HR and Finance and advice on arrangements for ensuring the wider Council is ready for the forthcoming changes. It also considered changes to internal controls and data security arrangements as well as updating the Committee on savings.

Mr McKenna reported that the project was on time and that they were currently in the first few weeks of the test phase which looked at defects that occurred and corrected them. In June the Project Team would be getting ready to deploy and that they were on plan to go live in July.

Mrs Cameron confirmed that from manager's point of view things should look largely the same with managers and employees doing more for themselves with a new on-line method of accessing services.

In response to questions from Members of the Committee around assurance, Mr Dyson reported that he was in contact with the Chief Internal Auditor at Hampshire who had confirmed that there was a strong control system in place in Hampshire. The issue remaining would be around compliance by staff and culture change issues. However, strong controls and systems were in place.

Members of the Committee expressed concern over the variable knowledge and understanding in schools and about how schools were communicated with. They further expressed concern over the timing of the new system as training would be in July then schools would have a long summer break.

Mrs Baxter acknowledged that it had been recognised that the change would be particularly challenging for schools as they do not currently have access to self-service tools and that a specific work stream for schools had been developed through the school partnership forums.

In response to questions around procure to pay, Mrs Cameron confirmed that although there would be an extended range of catalogues for staff to use, staff would not be able to use Hampshire's catalogues.

The Committee received a presentation and noted that there would be a further update at the Meeting in April.

15/14 ERNST & YOUNG EXTERNAL AUDITORS

(Agenda No. 9)

The Committee considered the following three reports from Ernst & Young:

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

In response to questions regarding Ernst and Young's capacity to deliver published accounts according to the new deadlines set out on Page 19 of the agenda in the 'Local Government Audit Committee Briefing' report, Mr Alan Witty, representative from Ernst & Young, stated that Ernst & Young was continuing to expand its capacity, that it is continuing to recruit and that it has a very strong team capable of delivering what was expected.

Mr Witty clarified that the 'Key questions for the audit committee' in the same report, on Page 23 of the agenda, were intended as helpful pointers of the kind of issues that the Committee may wish to consider in the future.

Councillor Stratford stated that he found the report very helpful as a crib list of the kind of issues that the Committee should be aware of and suggested that the report be circulated to all members of the Council.

RESOLVED:

- (a) To note the reports;
- (b) to circulate the Local Government Audit Committee Briefing report to all members of the County Council.

16/14 AUDIT WORKING GROUP REPORT

(Agenda No. 10)

The Committee considered a report (AG10) which summarised the matters arising at the meeting of the Audit Working Group on 12 February.

Mr Ian Dyson, Chief Internal Auditor, stated that there were no material issues arising from the meeting to report to the Committee.

In response to a member's enquiry as to whether there was to be extra training for Committee members regarding more complex issues, Mr Dyson stated that the session immediately prior to Audit and Governance Committee meetings was used for training and briefings and that key themes were programmed into those sessions.

RESOLVED: to note the report.

17/14 URGENT BUSINESS - CHIEF EXECUTIVE & HEAD OF PAID SERVICE - NEXT STEPS

(Agenda No. 11)

Under the provisions set out in Section 100B (4) of the Local Government Act 1972 (as amended) the Chairman of the meeting was of the opinion that the above item could be taken after Agenda Item 10 as urgent business because of the need for this Committee to consider how it could be engaged in discussions flowing from the decision of Council on 17 February 2015 to the principle of moving towards a new management structure and the consequent removal of the post of Chief Executive.

Accordingly, Mr Clark, County Solicitor and Monitoring Officer, lead a discussion with the Committee as to how it could be engaged in discussions and decisions following on from the decision of Council on 17 February 2015 to the principle of moving towards a new management structure and the consequent removal of the post of Chief Executive.

Councillor Stratford, who was attending the Committee meeting as a substitute, clarified his position that, as he was a current member of the Cabinet, he would not be taking part in the discussion.

A number of members expressed their regret that a paper had not been brought to the Committee for its consideration before the decision of Council on 17 February.

Councillor Smith stated that, looking forward, the Committee would require a report into the future governance of the Council, the implications on staff and the implications of Cabinet members taking a more active role in the governance of the Council. She stated that either an additional meeting of the Audit Working Group (AWG) or an extension of the next planned meeting of the Committee would be necessary.

A member queried to what extent the Committee was empowered to recommend a new organisational structure. Mr Clark, stated that in his view the relationship between members and officers was critical to the work of the Council as set out in the Protocol on Member/Officer Relations and that it was very relevant for the Committee, as well others such as Political Group Leaders, to form a view of what would be appropriate and to make recommendations to Cabinet in terms of the organisational structure of the Council. Mr Clark stated that it may be best to refer the matter to the Audit Working Group for consideration under the proviso that all members of the Committee could take part in the discussion.

Dr Geoff Jones, Chairman of the Audit Working Group, expressed concern that the AWG could not be expected to start with a blank piece of paper in terms of designing a new constitution and that the AWG would require advice from Mr Clark and a report in order to facilitate the discussion. Mr Clark stated that he hoped to draft a report for the consideration of the AWG meeting on 9 April.

After further discussion, members agreed that the issue would be discussed at the Audit Working Group on 9 March 2015, a number of routine items on the agenda for the AWG meeting on 9 April would need to be moved, that the meeting should begin an hour earlier in order to extend the meeting and that an invitation to the AWG would be sent to all members of the Committee.

RESOLVED: to take a report to the Audit Working Group on 9 April 2015, the Meeting to start at 1.00 pm and routine items to be moved from that Agenda to allow for a full and frank discussion (to be agreed by Independent Chair Geoff Jones).

..... in the Chair

Date of signing 2015

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 22 April 2015

INTERNAL AUDIT 2014/15 PROGRESS REPORT

Report by the Chief Financial Officer

INTRODUCTION

1. This is a two part report. Part 1 reports on the progress with the current 2014/15 Internal Audit Plan, including status of the audits, and the summary results of completed audits since the last progress report to Committee; Part 2 is an Interim Internal Audit Strategy, including an indicative Internal Audit Plan for Q1 2015/16.
2. It is only an Interim Strategy at this stage. The Finance Leadership Team, headed by the Chief Finance Officer, is currently reviewing the structure of Finance Teams and the support functions they provide, to ensure the structure can meet the strategic needs and ambitions of the Council, and provide sound financial management over the Council's financial risks. One of the drivers for this includes the impact of the Hampshire IBC Partnership where the systems of financial control will be changing.
3. The review of the structure includes Internal Audit and Risk Management functions, (and counter-fraud), with an opportunity to look at a combined business assurance model for the Council that protects the independence of the Internal Audit Function, and enhances the risk management and compliance assurance functions. The review of structures will be completed during Q1, and the outcome will be reported back to the Committee in July with a revised and fully formed Internal Audit Strategy.

2014/15 PROGRESS REPORT

4. The revised Audit Plan is attached as Appendix 1 to this report. There are two tables in the appendix, the first shows the current status of the revised planned activity; the second table lists the audits removed from the Plan this year as previously reported. There are no changes to the audit plan since the last report, with one correction; the audit of the Multi Agency Safeguarding Hub should have been flagged as an audit removed from the plan with the agreement of the Director in the last report, it was omitted in error.
5. During Q4 long term sickness has delayed the completion of the audit of the Integrated Transport Unit; and the completion of the audit of Children Social Care Management Controls has also been delayed as

additional testing was undertaken due to the complexity of the systems identified once the audit had started.

6. There have been eight audits concluded since the last update (provided to the January meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2014/15 Audits	Opinion
OCS	ICT Strategy Review	Amber
OCS	ICT Oxford City Contract Review	Green
EE	Innovation Support for Business	Amber
EE	Property & Facilities Project Agreement	Amber
CORPORATE	Follow up of Implementation of Information Governance	n/a
SCS	Adult Social Care IT System Implementation Review	Red
SCS	Pooled Budgets	Amber
CEF	CEF Placement Strategy	Amber

Performance

7. The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved	Comments
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	87%	The two audits that did not achieve the target averaged at 60 days over. This mainly related to one audit where the draft report was issued 103 days over the PI target.

Elapsed Time between issue of Draft report and issue of Final Report.	15 days	53%	The seven audits that did not achieve the target averaged at 18 days over.
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The other four performance indicators are:

- % of 2014/15 planned audit activity completed by 30 April 2015 - reported at year end.
- % of management actions implemented - 93%. Of the remaining 7% - there are 26 actions that are overdue, 31 actions with a revised implementation date and 47 actions not yet due.
- Effectiveness of Internal Audit - reported at year end.
- Extended Management Team satisfaction with internal audit work - reported at year end.

Counter-Fraud

8. At the last Audit Committee update there were two schools with issues still outstanding. Both of those issues have now concluded:
 - The allegation of a grant fund being used to pay a family member was ultimately unfounded. Audit reviewed all the information obtained by the Chair of Governors, in line with the points made in the allegation and disproved them all. A small number of control weaknesses were identified during the review of the information and these have been picked up with the Chair of Governors and reported to the school in a management letter.
 - The Police investigation into the systematic theft at the school has concluded, whilst the school believe approximately £7000 was taken the individual admitted to approximately £900 which she has repaid in two instalments. The police had insufficient evidence to investigate any further and issued the individual with a caution. Civil recovery was considered however due to the non-existent security over the cash, even trying to satisfy the burden that on the balance of probabilities the rest of the money was taken by the same individual, was not possible. The employee's resignation was accepted immediately on the day this was identified.
9. There are currently two potential frauds being investigated, both are external. One is within Social and Community Services, the other is cross cutting but the main focus is Oxfordshire Customer Services.
10. There is once case of financial irregularity being investigated in relation to additional payments made to an employee. The records and potential discrepancies are currently being reviewed. Both the former manager and employee are no longer employed by the Council

11. Legal informed Audit of a potential misuse of a direct payment. The Direct Payment Team have had difficulty obtaining financial documentation from the individual since 2013, however the limited documentation they have received suggests the direct payment has been used for purposes other than what it was intended for. The individual's direct payment was stopped in January 2015 and this case is being investigated further. The processes and controls surrounding this will be reviewed as part of the planned quarter 1 audit.
12. The Income Team alerted Audit to a financial irregularity where a company had queried how to make payments to them. The billing document they received asked for payment to be made to an individual, as opposed to OCC. The electronic bank details quoted on the form were checked and found to be for the Council's main account; however cheque payments were also requested to be made in the individual's name. It was identified that this was a system issue which has now been updated to ask for any cheques to be made payable to the Council. The majority of payments are made directly into the Council's main bank account. SAP was reviewed and some cheque payments were found to have been banked in the Council's bank account. Fraud is not suspected but a full reconciliation between accounts raised and receipts is being undertaken.

National Fraud Initiative (NFI)

13. The matches from the 2014/15 exercise have been released. In total OCC have had 15,266 matches returned, of which 6,850 are recommended to be looked at. Key officer and Councillor checks have been completed and no issues have been identified. The majority of matches returned are against creditor data and concessionary passes (just under 12,000). Plans have been drawn up on how best to investigate and target resource at the matches to ensure the best quality results are achieved for OCC.

2015/16 INTERIM INTERNAL AUDIT STRATEGY

14. The Accounts and Audit Regulations 2011 (S6) state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013.
15. The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 16 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 17 The Chief Finance Officer, in conjunction with the Finance Leadership team are currently undertaking a review of the Corporate Finance structure, including Internal Audit to ensure that finance management and assurance is effective and meeting the needs of the organisation going forward. As part of the review we are looking at the process for obtaining assurance over financial risks, counter-fraud, wider risk management and compliance, a number of functions that by default are currently performed by the Internal Audit function.
- 18 The structure review provides an opportunity to protect the independence of the Internal Audit function, whilst enhancing the risk management and compliance assurance functions. It is expected that the review will be concluded during Q1, and therefore once structures are defined and resources for each assurance function agreed, the outcome will be reported back to the Committee with a revised Strategy and detailed Internal Audit Plan.
- 19 To help inform the Strategy and the Audit Plan, the "Audit Universe", being the list of all the key auditable areas, is being produced and will reflect the changes to the operating framework resulting from key projects such as Hampshire IBC Partnership. The main focus in creating the "audit universe" will be the financial management systems.
- 20 The Internal Audit Plan will evolve during the year, influenced by any restructuring, and the resulting sources of assurance.

Audit Planning Methodology

- 21 The Internal Audit Plan will be produced with reference to the Corporate Risk Register and in consultation with the Directors, Finance Business Partners and the Chief Finance Officer. Quarterly meetings with the Directors are scheduled to ensure the plan is kept under continuous review.
- 22 The plan will also be reviewed quarterly with reference to the Directorate Risk Registers, and presented to the Audit and Governance Committee for consideration and comment.
- 23 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.
- 24 Counter-fraud remains a responsibility for Internal Audit to lead on, and in 2015/16 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity. The "Fighting Fraud" funding received in 2014/15 and 2015/16 will be used to develop the

collaboration for proactive counter-fraud, and reactive investigation support with the Fraud Hub being led by Oxford City Council.

2015/16 Q1 AUDIT PLAN

25 During quarter 1 the focus will be on the following audit activity:

Directorate	Qtr Start	Audit
CEF	1	<p>CEF Safeguarding (Children's Social Care Management Controls)</p> <p>The detailed scope of the audit will be agreed with the Deputy Director. The audit will look to provide assurance over the processes in place for the monitoring and escalation of missing children, including children missing from school.</p>
CEF	1	<p>CEF Thriving Families</p> <p>The revised Thriving Families Framework requires internal audit verification of each claim. New processes have also been developed by the team. Internal Audit plan to review the new processes in April / May and then complete the required verification work of both the summer and winter claims.</p>
SCS	1	<p>SCS Personal Budgets / Direct Payments</p> <p>The audit will provide assurance on the effectiveness of the Self Directed Support process, including personal budget allocations and accounting, care plan delivery and client documentation. The audit will specifically review controls in respect of direct payments.</p> <p>This will include review of the processes and recording via the new Adult Social Care I.T. System.</p>
SCS	1	<p>Adult Social Care Information System</p> <p>A follow up audit of the audit of the IT system implementation audit that was undertaken in February 2015 will be undertaken in quarter 1 to provide assurance that the weaknesses identified in the area of testing have been sufficiently addressed prior to go-live.</p>
SCS	1-4	<p>LEAN / Responsible Localities</p> <p>This is a major programme looking at improving the care pathway of clients and introducing improved ways of working. The Audit Manager will continue to work with the Finance Business Partner for SCS in reviewing the newly designed processes and also look to provide</p>

Directorate	Qtr Start	Audit
		assurance on the overall programme governance. This will include review of the care management processes and recording via the new Adult Social Care I.T. System.
SCS	1-4	SCS Implementation of the Care Bill From April 2015 the new Care Bill will go live. This will include changes to the collection of deferred payments, larger volume of care assessments, changes to eligibility, improvements required to information and advice, etc. The required changes are being managed as a major programme by the SCS directorate. Internal Audit will look to provide assurance on the on-going programme governance arrangements and implementation plans. This will include potential changes that will be required by April 2016 in relation to the proposed Funding Reform and process changes proposed by the Directorate in relation to introducing an E Market place and Self Service / Self -Assessment.
EE (OCS)	1	Externalisation Programme The audit will follow on from 2014/15 IBC On Boarding audit and the related projects (Impacts and Business Readiness). The review will focus on programme and project governance and the design of any new internal control mechanisms introduced by the Council that will interface with the IBC.
EE (OCS)	1	Cyber Security The audit will provide assurance that the Councils ICT environment, systems and data are adequately protected and secure against cyber threats

Performance Monitoring / Reporting

- 27 The following are the proposed Internal Audit performance indicators for 2015/16 are set out in appendix 3
- 28 The Audit and Governance Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

RECOMMENDATION

The committee is **RECOMMENDED** to

- a) Note the progress with the 14/15 Audit Plan and the outcome of the completed audits;
- b) Approve the Interim Internal Audit Strategy for 2015/16 and the Q1 Plan; and,
- c) Agree the 2015/16 performance indicators.

Ian Dyson
Chief Internal Auditor

Background papers: None.
Contact Officer: Ian Dyson 01865 323875

ANNEX 1**2014/15 - Revised Internal Audit Plan Progress Summary**

Directorate	Audit	Status	Conclusion	Comments
CEF	Early Years Payments	Completed	Amber	
CEF	Schools Assurance	Not yet started		It was expected that in addition to the annual review of the management controls applied by the Management Accounting (Schools) Team, that we would audit a small sample of schools. This has been dropped from the plan due to resources; however the Chief Internal Auditor and the Finance Business Partner are to undertake a desk top review of the system of assurance for financial management in schools and this will form the basis of the 14/15 report to the Committee.
CEF	Church Cowley School	Completed	Amber	This audit was not originally planned but was agreed with the Finance Business Partner.
CEF	Frameworki (Children Social Care system)	Completed	Green	
CEF	Placement Strategy	Fieldwork	Amber	This audit is now close to the budgeted days, so additional days will be required to complete the audit.
CEF	Contract Procurement and Contract Management	Fieldwork		This audit is due for completion by the end of April 2015.

CEF	Children's Social Care Management Controls	Quality Review		
SCS	LEAN / Responsible Localities Programme	On-going and will continue to be reviewed as part of 2015/16 Internal Audit Plan.	n/a	This is a major programme looking at improving the care pathway of clients and introducing new ways of working. The Audit Manager monitors the programme governance, and in conjunction with the Finance Business Partner, reviews newly designed processes.
SCS	Client Charging	Completed	Amber	
SCS	Residential and External Home Support Payments Systems	Completed	Red	Following this audit, the Internal Audit team has provided fraud awareness training to the Contract Monitoring team.
SCS	Pooled Budgets	Final Report	Amber	
SCS	Implementation of the Care Bill	On-Going	n/a	The requirements of the care Act are being implemented through a programme in SCS. The Audit Manager is maintaining an overview of the governance of that programme including implementation plans. The CIA and the AM are attending a workshop for Internal Auditors in February focussed on the risks of the Care Act for Local Authorities.
SCS	Adult Social Care Information System	On-going & IT Audit - Final Report	Red	This is another programme which the Audit Manager is maintaining an overview, and challenge to the programme management. Included in the audit review of this change programme is an IT audit of the application, specifically security, and the

				system testing strategy.
SCS	Adult Social Care Management Controls	Fieldwork		This audit is due for completion by the end of April 2015.
EE	Property and Facilities Management Contract	Completed	Amber	This audit has gone significantly over the allocated audit days and has exceeded the target dates for delivery of the audit; however we have not yet been able to clear the draft report through our quality monitoring process. The Directorate has been informed of the delay in issuing the report.
EE	Oxfordshire Innovation Support Programme	Completed	Amber	
EE	Integrated Transport Unit	File review		
EE	Energy Recovery Facility (Energy From Waste)	Completed	Green	
EE	Supported Transport Programme	Exit meeting		
EE	S106 Agreements	On-going		This will no longer be a systems based audit. The CIA is working with the Chief Finance Officer to map the assurance over the management of S106 agreements and Community Infrastructure Levy (CIL) arrangements.
EE OCS	Windows Active Directory	Completed	Amber	
EE OCS	Managed Connectivity Services	Completed	Green	This audit was completed in two stages, with a report issued at both stages. Part 1 was reported as Amber, but the conclusion at stage 2 changed the status to green.
EE OCS	Externalisation Programme	On-going		This audit is looking at the governance

				arrangements within the programme, particularly the Hampshire OBC partnership for Finance and HR functions, but will also review the design of the assurance framework for the new arrangements, and the future audit plan/methodology for testing the key systems.
EE OCS	PSN Code of Connection	Completed	Amber	
EE OCS	IT Disaster Recovery	Completed	Amber	
EE OCS	Pensions Administration	Fieldwork		
EE OCS	ICT Strategy	Completed	Amber	
Fire	Joint Fire Control	On-going	n/a	The Audit Manager monitors the governance and reviews the design of controls for the joint fire control project. This is due to go live in April 2015.
Public Health	Risk Management review	Not yet started		
CEO	Association of County Chief Executives accounts	Fieldwork		Oxfordshire County Council are the allocated auditors for this fund, managed by Gloucestershire CC. The audit will be undertaken by a CIPFA Trainee.
Cross Cutting	Governance	Scoping		The audit will cover all the key governance processes and will test through interviews with Managers the level of understanding and assurance that local systems are in place to ensure the key controls are operating and being adhered to. This will be undertaken across all the Directorates

				and Services.
Cross Cutting	Risk Management Review - Business Continuity in the supply chain	Not yet started		<p>This work has been outsourced and is scheduled to be completed end of April, however minor delays have been experienced due to availability of key staff involved with the Hampshire IBC project which may result in completion in May.</p>
Key Financial System	Payroll	Fieldwork		
Key Financial System	Procure to Pay including Accounts Payable	Fieldwork		
Key Financial System	Accounts Receivable including cash receipting	Fieldwork		
Key Financial System	General Ledger & Main Accounting	Fieldwork		
Key Financial System	Treasury Management	Fieldwork		
Key Financial System	Pension Fund Management	Fieldwork		

The following audits have been removed from the plan:

CEF	SEND (Special Education Needs and Disability) Programme	An audit of SEN was undertaken in 2013/14. This audit was to look at any new processes resulting from the SEND Reforms Project. The Audit Manager has been monitoring progress of this project with the Deputy Director and was assured that the project was on track with no issues arising, therefore it was agreed to defer any audit work until post implementation. The audit will therefore be deferred until 2015/16.
CEF	Thriving Families Grant	It was expected that Internal Audit would be required to undertake an independent review of the grant returns prepared in respect of Thriving Families. This has not been required. Internal Audit was involved in reviewing the systems and processes at the commencement of the Thriving Families programme, and this included assurance that adequate management controls over data quality are in place. It was agreed that no additional work was required from Internal Audit for future returns; however, the Government has recently published procedures for the latest funding for this programme, and this now stipulates a requirement for Internal Audit to test the validity of returns going forward. This will not be effective until 2015/16.
CEF	Multi Agency Safeguarding Hub	This audit has been carried forward into the 2015/15 Internal Audit Plan - and agreed timings are to start late August / September.
SCS	Contract Procurement and Contract Management	This audit has been removed due to resources; however the Payments audit has highlighted some queries with regards to contract management which are being followed up, and in addition a risk management review looking at business continuity risks within our supply chain has been included within the audit plan, and SCS Contracts is expected to be the main area for testing.
SCS	Personal Budgets and Direct Payments	This audit is being deferred to the end of Q1 2015/16, post implementation of the new Adult Social Care IT system. The fraud risk for this activity has also

		been highlighted as an area for review early under the new counter-fraud arrangements being developed with Oxford City.
EE	Capital Programme Governance and Delivery	Due the significant overrun on the Property and FM audit, we can no longer resource this audit in 2014/15
EE	Highways Contract	As above
EE	Waste Disposal Contracts	As above
EE	Planning	This audit has been deferred until 2015/16 due to resources.
EE OCS	Externalisation of ICT Services	This audit has been removed from the plan and the IT Audit days allocated to an IT audit of the new ASC IT System, with a small contingency retained to support the audit of the Externalisation Programme should IT audit specialism be required. It was agreed to replace the original audit The initial scope of the audit was to "To review the management of services that have been externalised (e.g. SAP and the Data Centre), as well as operational controls over the managed print service; however the SAP contract is changing with Hampshire, the contract with Vodafone for the network has only recently commenced (we audited the project in 14/15) and the Data Centre is relatively new (project audited end of 13/14).
Public Health	Grants / Contract Procurement and Contract Management	This audit has been replaced with a risk management review, looking at the adequacy and completeness of the risk management process and identified risks. The review will map the processes management has in place to provide assurance over the risk management. This will include the areas originally in the scope for a systems based audit.

ICT STRATEGY REVIEW 2014/15.

Opinion: Amber	05 January 2015	
Total: 05	Priority 1 = 0	Priority 2 = 05
Current Status:		
Implemented	02	
Due not yet actioned	02	
Partially complete	01	
Not yet Due	0	

Overall Conclusion is Amber

An ICT Strategy is documented for the period 2014 – 2018 and covers the role of ICT at OCC and identifies seven key strategic objectives. The ICT Strategy was taken to CCMT on the 6 August 2014 where a number of minor revisions were agreed, however, there is no evidence that it was formally approved. The strategy has not been taken to Cabinet for approval.

There are clear links between the ICT Strategy and the OCC Corporate Plan, which covers the period 2014/15 – 2017/18. However, as the strategy was developed by ICT without any direct consultation with directorate areas, it is important that they engage with directorates' to confirm how the strategy will help them support their business plans. ICT have appointed Business Partner's whose role is to manage the delivery of ICT services to each directorate.

The Strategic Delivery Group will be responsible for managing the implementation of the ICT Strategy. This group currently only comprises of ICT staff and should be expanded to include directorate representatives to ensure the implementation of the strategy takes their priorities and requirements into account. The terms of reference for the group should also be updated to reflect their responsibilities for the ICT Strategy. The ICT Strategy includes an implementation plan, although it needs to be revised and updated. It would also be useful to link the plan to current programmes/portfolios to clearly demonstrate how the strategy will be implemented.

Oxfordshire County Council has been delivering an ICT service to Oxford City Council since 1st April 2009, under the terms of a formal contract and Service Level Agreement. The service is governed by an ICT Partnership Board which has senior ICT representation from both organisations. The contract is for a seven year period and expires on 31st March 2016, without any provision for an extension. The indication is that the service will not extend beyond the contract expiry date and that the City Council will seek alternate ICT provision. Plans are being put into place by both organisations to implement these changes.

INNOVATION SUPPORT FOR BUSINESS 2014/15

Opinion: Amber	07 January 2015	
Total: 06	Priority 1 = 01	Priority 2 = 05
Current Status:		
Implemented	04	
Due not yet actioned	02	
Partially complete	0	
Not yet Due	0	

Overall Conclusion is Amber

The overall conclusion is supported by findings identified in the following areas:

Programme Governance: Overall programme governance has been documented. However, The ISfB Steering group do not currently have a terms of reference and the minutes from the meetings have not been written up. Additionally, the Programme Funding Board is yet to be created. A summary paragraph detailing progress with the ISfB programme was submitted to the OLEP Board on the 7 May 2014. However, since that meeting, no further updates to the OLEP Board on the ISfB programme have been presented.

Funding and Payment Mechanisms: Fund award processes have been documented and there are Service Level Agreements (SLAs) in place with most providers to deliver the programme. However, evidence was not provided to support that the two SLAs for the Business Activation element of the programme have been agreed and signed. The grant claim process has also been documented, with the relevant claims so far being submitted.

Programme Monitoring: Programme monitoring is taking place, although this could be improved, as per the items raised under "Programme Governance" above. During the audit, progress in allocating ISfB funds and delivering its objectives was reviewed by testing the content of "Claim 3", and any supporting documentation. Testing highlighted the following areas:

- Growth Hub draw down is currently 47%, yet the Business Support draw down is only at 28%. This is not unexpected, as the Business Support should increase over the coming months.
- The overall grant is split 80% / 20%. However, for example, if only 75% of the 80% Business Support element is achieved, then only 75% of the Growth Hub can be claimed. This requirement places a pressure on the fund, and based on the previous bullet point, if 100% of the Growth Hub is drawn down, then 100% of the Business Support element has to be delivered. The Steering Group need to be made aware of the "at risk" values, either in the draw down of the Growth Hub value or potentially unallocated Business Support elements.

- As at "Claim 3", of the £1,991,609 grant, £463,805 has been drawn down, but only £100,484 has been allocated. This also places a pressure on the fund as arrangements need to be in place to ensure the fund is fully allocated. Discussions during the audit identified that the programme should achieve £1.3-£1.4m of the £1.6m Business Support element, but this highlights a pressure / at risk value of £200,000.

Additionally, if the Business Support element is not fully allocated, but the Growth Hub is, there is a pressure that a % of the Growth Hub value would need to be repaid. If the Growth Hub needs to be repaid, it is currently unclear how this would be funded.

ADULT SOCIAL CARE IT SYSTEM IMPLEMENTATION REVIEW 2014/15

Opinion: RED	25 February 2015	
Total: 12	Priority 1 = 07	Priority 2 = 05
Current Status:		
Implemented	02	
Due not yet actioned	04	
Partially complete	03	
Not yet Due	03	

Our overall conclusion is RED.

The most significant area of concern is Testing, where a number of control weaknesses have been identified and require urgent action to address and improve controls to ensure that the new system, interfaces and end-to-end business processes are sufficiently tested prior to go-live.

Logical Access Security:

All users with active accounts on SWIFT and Abacus will be migrated over to LAS and Controcc, which at the last count included 773 accounts. LAS and Controcc each have their own user authentication mechanisms, which are not inter-linked, although they are both based on Windows Active Directory. A LAS user has to manually enter their network username and password during the login process, whilst Controcc uses single sign-on. We identified a potential risk relating to account lockouts, however, this was investigated and resolved during the course of the audit and is only reported here for completeness.

User Access Rights:

LAS and Controcc both support a role-based access system and allow a granular level of user access to be defined. Roles or 'profiles' as they are known on LAS, are currently being configured. Whilst responsibility for signing-off roles has been agreed, responsibility for decisions on how they are allocated to users, both pre and post implementation, has not been formally defined. Issues around data ownership and maintenance also need to be

agreed to ensure that post implementation, data is accessed, maintained and shared as intended. We also recommend that the spending limits functionality within Controcc is tested to ensure that it operates as expected.

Audit trails:

There is an audit trail facility on LAS and Controcc, which is enabled by default and does not require any local configuration. On LAS, an audit report can be run on user activity which shows what they have accessed/changed and when. On Controcc, there is an audit trail on each screen providing a history of all changes.

Testing:

The system implementation is in the third-cycle of User Acceptance Testing. This cycle involves functional testing and has to be completed by 31st January 2015, in order for any errors/bugs to be reported to the supplier and fixed by the 'go live' date. Test plans have been developed for this phase of testing, however, we have reviewed the process and identified a number of control weaknesses:

- An overall testing strategy does not exist detailing the approach and standards to be used;
- The scope of each test plan has not been defined and plans have not been subject to any review to ensure they cover all relevant areas;
- Test plans do not cover the testing of key controls/risks e.g. segregation of duties, specific scenarios etc;
- Test plans do not cover the testing of the end-to-end business processes;
- Test results are not subject to any formal review or sign-off;
- The process for re-testing has not been agreed; and
- The results from the first cycle of testing, undertaken in August 2014, have not been formally documented.

Test plans have not been developed for a number of key areas, including interfaces to SAP, ETMS and SharePoint. These will need to be developed and executed prior to the system going live.

The project to convert ESCR documents from IBM Document Manager to SharePoint is being managed by ICT and its progress should be monitored to ensure it completes on a timely basis. The specification of the SharePoint site should also be formally signed-off as meeting the requirements of the new Adult Social Care system.

PROPERTY & FACILITIES PROJECT AGREEMENT 2014/15

Opinion: Amber	10 March 2015	
Total: 12	Priority 1 = 0	Priority 2 = 12
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	12	

Our overall conclusion is Amber.

The overall conclusion is that there is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls. In outlining the issues below it should be noted that the Council are managing the contract with a reduced monitoring function that places reliance on the contractor to implement a lean approach to delivery. In particular, we noted that there had been a considerable number of staff changes on both the contractor and client side and this can impact on the efficiency and effectiveness of internal control. The management team within Economy & Environment are using an Issues Log to help improve contractor performance and engagement.

A review of the contract obligations identified potential gaps in the service structure, but this has not been translated into a capacity and responsibility review against the existing staff structure. There is a limited overview of the financial position of the contract and a lack of performance information provided. There is a lack of approved KPI's, supported by the OPI's and a performance dashboard.

When we requested the Change Control Log that details the changes to scheme's Agreed Maximum Price (AMP), outlined in the contract as jointly maintained between the Programme Office and Carillion, we were informed that this is not kept. We also noted that the Value for Money (VfM) statement for one of the schemes had not been signed, even though it had gone through Gateway 2.

The delivery of an integrated ICT Process / Data Warehouse was a key component of the Scope of Services for Information Systems and it would appear that the delivery of this workstream by CCS has yet to be fully realised.

We noted that from our sample of 10 interim certificates for capital works, seven were incomplete with either signatures or dates of completion missing. At a Programme Office file level, there is no overview by scheme as they are filed according to work stream per month. By reviewing our two sample schemes, we found certain certificates were missing from the Capita project manager file and had to be verified by CCS. The OCC Contract Management Support Officers have been developing their own systems to track certificates, but this is in isolation of the process as a whole.

Since inception, the QuEST team have seen a steady decline in those schools that have taken the catering service and to a lesser degree the cleaning elements. Management are aware of the issue and this is being monitored at PSOB meetings, but to date, there is no agreed action to address the declining service engagement.

Previous Audit

Two reviews were undertaken during 2012/13 covering the Corporate Landlord and an early overview of the Property Contract. A number of the issues or themes that arose during those audits are still prevalent and have been captured in the Findings and Action Plan (i.e. capacity planning, management information and communication / stakeholder plans for projects. All other areas raised previously have now been resolved or superseded.

FOLLOW UP OF IMPLEMENTATION OF INFORMATION GOVERNANCE 2013/14

An audit of Information Governance was undertaken in 2013/14. (Final Report Issued 30 January 2014). The overall conclusion was RED / UNACCEPTABLE. 12 management actions were agreed in response to the weaknesses identified in the 2013/14 Internal Audit report. This follow up audit reviewed the implementation progress of those actions.

Whilst good progress has been made with a number of the agreed management actions to address the weaknesses identified in the 2013/14 audit, in particular the functioning and clarity around the IGG, review of policies and procedures and also the review of Egress/PSN accounts, there are still three management actions outstanding.

The most significant is the completion of the Information Asset Registers (which now incorporate the external data transfers register). Findings have been raised with regard to the need for information asset registers in audits, each year since 2010/11. These were determined by management to be the key control for managing external data that is transferred by providing a monitoring mechanism to ensure that sensitive and confidential data transfers are undertaken using a secure and approved method. Previous audits have concluded that there has been some evidence that sensitive data is being transferred outside the organisation in a manner that is not secure. Further detailed testing has not been undertaken in 2014/15. Until the Information Asset Registers are completed and being utilised effectively there still remains a lack of assurance over externally transferred data.

ICT OXFORD CITY CONTRACT REVIEW 2014/15

Opinion: Green	27 March 2015	
Total: 02	Priority 1 = 0	Priority 2 = 02
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	02	

Our overall conclusion is Green.

Our overall conclusion for this audit is Green. Internal Audit identified that there is a sound system of internal control in which risks are being managed to acceptable levels.

The ICT contract with Oxford City Council expires on 31st March 2016 and does not have any provision for an extension beyond this date. As such, a programme of work has started to separate the City's ICT provision to enable them to migrate to another supplier.

The programme of work includes projects on PSN Compliance, new applications and application upgrades, which are all being managed by ICT. There is also a key piece of work to split the network domain, which is being undertaken by a third-party, Specialist Computer Centres.

The Programme Definition Document recommends the creation of a Joint Programme Board to provide a central point of control and programme management. A Terms of Reference has been documented for the Board, but it has not formally met. However, the programme of work is being managed jointly between the County's Principal Change Manager and Business Manager and the City's Chief Technology Manager, who collectively make up three of the five individuals on the Joint Programme Board. Whilst this maybe adequate at an operational level, it is important that the oversight and formalisation that the Joint Programme Board would provide is not lost and does not compromise the overall governance of the programme.

Business and financial risks and issues are being identified and managed. This includes the loss of City income from March 2016, on which a paper has been documented and taken to the ICT Leadership Team on the 25th February 2015. All costs associated with the programme are being logged and reported.

There will be no transfer of staff under TUPE and voice and telecoms services are already managed by the City. Other relevant areas have been identified and assessed by County ICT, with the exception of licensing conditions for County software. Any software that is licensed on a per user, server or processor basis could be impacted by a lower number of overall users and hence licensing conditions should be reviewed to identify any actions that may need to be taken.

CEF PLACEMENT STRATEGY 2014/15

Opinion: Amber	01 April 2015	
Total: 03	Priority 1 = 0	Priority 2 = 03
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	03	

Our overall conclusion is Amber

The Placement Strategy was devised to try and save escalating costs on placing children in care, out of county. It is also considered better for the child's wellbeing, in many cases, to keep them in county.

The capital costs relating to the builds were reviewed and it was found that the preliminarily costs were accurately represented within the information used to monitor the progress of the project. The revenue costs have been modelled against 2013/14 care home budgets, with the relevant uplifts applied. Within that, the pay costs were found to have been budgeted at a comparable level, however the non-pay budgets could potentially have been set too low as both existing care homes overspent their 2013/14 budgets by over £30,000. It was noted that there was the intention to move the Edge of Care services into some of the new homes, the staffing costs and budgeting relating to this were not reviewed however, as it had not been formally adopted at the time of the audit.

The Independent Fostering budget and the External Agency Placements budget were both significantly overspent when conducting the audit. Whilst it is acknowledged that these budgets are very much demand led, making it difficult to accurately predict the level of potential expenditure, in the case of the independent fostering budget there is a clear discrepancy between the budget setting methodology and the actual expenditure and demand information available from previous years. Similarly, despite the mainstream residential budget being marginally increased from 2013/14, demand far outweighed the original budget and an in-year increase of £2.751m, which was authorised by Cabinet. Expenditure on mainstream residential has been extraordinarily high in 2014/15, by January it had exceeded the base budget (£2.9m) 3.85 times, exceeding £11m. When compared with the 2013/14 budget (£2.67m) and expenditure (£2.8m), and level of demand (approximately 12,500 days), it is not clear why expenditure in 2014/15 is so high because demand to date and forecasting to year end is only showing an increase of 50% (approximately 18,000 days) against 2013/14. Trend information available could not have predicted the sharp increase in demand, against previous years, however benchmarking against other authorities may have provided more information to help set a more realistic budget.

The budgets are being kept under continual scrutiny and additional review measures have already been introduced to help control the escalating costs. Which include Director sign off of placements. A continual forecasting model is also maintained to try and predict additional costs up to year end, which is reconciled against SAP to ensure the most up to date and accurate information is available.

At the time of the audit each of the capital build projects were in their infancy stage. The projects are being delivered by E&E on behalf of CEF and there is clear evidence that the CEF Placement Strategy Board and in particular the Corporate Parenting Manager have a good level of involvement and oversight on each of the capital build projects. Review of the controls and processes around the design and implementation of the capital build were found to be satisfactory and there is evidence of sufficient monitoring of the capital spend and adequate processes in place for monitoring and escalation of progress against timescales and budget.

The programme governance arrangements for the overall Placement Strategy were reviewed, which identified that key information detailing project progress on all of the identified work streams is being sufficiently communicated. Risks are being monitored and escalated as appropriate and overall programme roles and responsibilities.

POOLED BUDGETS 2014/15

Opinion: Amber	13 April 2015	
Total: 07	Priority 1 = 0	Priority 2 = 07
Current Status:		
Implemented	01	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	06	

Our overall conclusion is Amber

The governance structure of the Pooled Budgets is fundamentally sound, with recent initiatives such as having one Pooled Budget Manager to manage all pools a positive step towards greater consistency and oversight across all pools. Whilst issues were identified during the audit, in most cases these were already being addressed and plans underway for resolution, indicating that escalation and identification of risk is functioning effectively. Oversight of performance and budgets is satisfactory, albeit with a gap regarding provider quality monitoring, which is now being closed with a new regular slot for the Contracts & Quality Service Manager at the Officers Group. Despite a sound governance structure, the overall audit conclusion is Amber due to the failure to update the S75 in 2014, lack of oversight of quality monitoring and the size of the impact of the LD Pool overspend this year, acknowledging however the improvements with budget setting and budgetary control going forward.

A: Decision-making and roles & responsibilities

These are clarified in the S75 Agreement and from observation at JMG meetings and review of the meeting minutes decision-making appears clear, with agreed actions followed up on. The S75 Schedule 3 detailing the contribution amounts and risk share between parties requires annual review and sign-off by OCC's and OCCG's respective governing bodies. This did not happen fully in 2014, however clear plans are currently in place to ensure review and sign-off in 2015. In 2014 there was a disagreement between OCC and OCCG on changing the PD Pool risk share.

There has been a gap in communication to relay decisions made at the System Resilience Group committing expenditure from the Pooled Budgets back to the Pooled Budget Manager/Officers Group.

B: Performance, outcomes and quality oversight

The JMGs and Officers' group receive a range of performance information in line with the targets reported to the Health and Wellbeing Board. A recent initiative to amalgamate the finance and performance reporting has been well received by the Officers group and should help support the move to greater consistency of monitoring across the Pools, following the change to merge the Officers group meeting for all Pools into one.

JMG/Officer Group's oversight is focused on finance, budgetary control and HWB performance indicators and less on quality and commissioning issues, although this is being rectified with a new slot at the Officers Group focussing on this. There is currently no regular performance reporting to JMG on provider quality issues, except where concerns have been identified by CQC or a serious case review.

C: Risk Management

The Pools do not have their own separate risk registers and instead risks relating to the Pooled Budgets are captured within the Directorate risk registers. This approach was reviewed and agreed as being appropriate in September 2014 by OCCG and OCC's risk and performance leads, with input from the Chief Internal Auditor. It was further agreed that the Officers group would review the Directorate risks on a quarterly basis to ensure risks relating to the Pools are sufficiently captured and updated. The Pooled Budget risk management strategy has not been captured in the S75 Agreement.

D: Budgetary control & financial risk sharing

Budgets for the Pools are set annually and the Host Partner is responsible for compiling monthly budget reports during the year to monitor expenditure and forecasts.

For 2014/15 there is a significant overspend forecast in the LD Pool (currently £4.1m), for which OCC are liable for 85%. The over spend has been reported throughout the year to JMG and to OCC Cabinet and plans have been put in place aiming to bring expenditure down by year-end. Efficiency savings included in the 2014/15 budget have not all been achieved (approximately a third have been achieved). It is expected that corporate reserves will be used to fund the over spend.

The budget setting for the LD pool was overly optimistic given the 2013/14 over spend and the trend towards increasing demand. The under spend in

2013/14 was under-reported in the last months of the year, leading to an unexpected increase in the overspend at year end; however the over spend in 2014/15 appears more accurate, including improved trend analysis of personal budget claw back. There is a continued risk to delivering to the LD budget in future years, given the increasing demand for services coupled with savings that have to be made. These risks and the savings plans have been escalated, scrutinised and decisions made at an appropriately senior level. The audit walked through a sample of budget lines in the OP and LD pools to check the process followed for calculating the forecast figures. No significant issues were identified, however a number of minor issues were highlighted, although all of these had already been identified, considered and action underway to address them.

ANNEX 3 Proposed PERFORMANCE INDICATORS 2015/16

	Performance Measure	Target	Frequency reporting	of	Method
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
4	% of planned audit activity completed by 30 April 2016	100%	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
5	% of management actions implemented	90% of all management actions	Quarterly report to A&G Committee.		Action Management Tracking System

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Division(s): All

AUDIT & GOVERNANCE COMMITTEE – 22 APRIL 2015

SCALE OF ELECTION FEES AND EXPENDITURE 2015-16

Report by County Solicitor and Monitoring Officer

Introduction

1. Each year the Council needs to set a scale of election fees and expenditure for the holding of elections of county councillors. The Committee are requested to approve the proposed Scale of Expenditure as set out for any by-elections of County Councillors that may be held during 2015/16.
2. The same scale of expenditure will be used for any local referendums e.g. a council tax or mayoral referendum.

Purpose of the Scale of Fees

3. The purpose of the scale of fees and expenditure is to set out the amounts that can be charged for organising and running county council elections and by-elections. In practice, this means that these will be amounts that the district councils will claim back from the County Council for running elections on its behalf.
4. As you will see from the scale some of these costs are fixed and some are “actual and necessary costs”.
5. The mileage rate is linked to the national authorised ‘all car’ rate of 45p per mile.

Levels for 2015/16

6. It is proposed for the fees and levels of expenditure to remain as they were in 2014/15. Due to a full review having been undertaken with the City and District Councils for the period 2013/14, following consultation it was unanimously agreed that these figures are appropriate benchmark costs, in line with those of their own individual scales of fees and expenditure.
7. The City and District Councils have indicated that the proposed scale of fees would be acceptable to them in the running of elections on the County Council’s behalf.

Financial and Staff Implications

8. There are no significant financial implications and no staffing implications.

9. A separate budget is maintained for electoral expenditure, which is built up over time towards the County Council elections, next due to be held in 2017. This also incorporates an element towards by-election costs.

RECOMMENDATION

10. **The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2015/2016, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.**

Peter G Clark
County Solicitor and Monitoring Officer

Background papers: Nil

Contact Officer: Andrea Newman,
Senior Democracy Officer
Telephone: 01865 810283

April 2015

OXFORDSHIRE COUNTY COUNCIL

REPRESENTATION OF THE PEOPLE ACT 1983 (SECTION 36(4))

SCALE OF EXPENDITURE FOR ELECTIONS OF COUNTY COUNCILLORS

(Applicable to elections held during period 1 April 2015 to 31 March 2016)

Only the fees and disbursements specified below shall be chargeable. The fees payable to the Returning Officer or her duly appointed Deputy Returning Officer shall include all payments which he/she makes from his/her fees to other persons by way of remuneration of services undertaken on his/her behalf.

In no case shall a charge exceed the sum actually and necessarily paid or payable by the Returning Officer. Subject to this the maximum charges are set out in the scale. These fees will apply to other polls/elections/referendums.

PART I - UNCONTESTED ELECTION

A – FEES

- | | |
|---|------------------------------------|
| 1. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of | 1-member £43.95
2-member £87.90 |
| 2. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of | 1-member £29.15
2-member £58.30 |

B – DISBURSEMENTS

- | | |
|---|------------------------------------|
| 3. Preparation of poll cards and postal vote cards | |
| (a) For supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of..... | 1-member £18.40
2-member £36.80 |
| (b) For the employment of persons in connection with preparation and issue of official poll and postal vote cards. For every 100 cards or fraction thereof for each Electoral Division, a fee of..... | £2.30 |
| 4. For the employment of persons for clerical and other assistance. For each Electoral Division | 1-member £21.50
2-member £43.00 |
| 5. Travelling expenses of the Returning Officer, Deputy Returning Officer and Assistants. Per mile..... | £0.45 |

6. For printing and providing forms, notices and other documents required for the election, including the printing costs, computer charges and all associated costs of producing official poll and postal vote cards, together with advertising expenses, postage, telephone calls and miscellaneous expenses Actual and necessary cost

PART II - CONTESTED ELECTION

A – FEES

7. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of..... 1-member £91.30
2-member £182.60
8. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of

(If a duly appointed Deputy Returning Officer also carries out the functions specified under Item 9 of this scale, he will be entitled to claim the fees payable under both item 8 and item 9 of the scale)

9. To a Deputy Returning Officer appointed solely for the purposes of rules 25(b) and 38 to 46 of the Local Elections (Principal Areas) Rules 1986 (or such legislation as may subsequently be enacted), for making arrangements for counting the votes and declaring the result of the poll. For each Electoral Division, a fee of..... 1-member £58.30
2-member £116.60

(A Deputy Returning Officer appointed under this item cannot claim the fee payable under item 14 of this scale)

- 9A. For each Recount..... £14.00

B – DISBURSEMENTS

10. Presiding Officer, a fee of..... £180.00
or where a poll is combined with a district council or parish council poll, a fee of..... £205.00
11. Poll Clerk, a fee of..... £115.00
or where a poll is combined with a district council or parish council poll, a fee of..... £132.00

(The fees for presiding officers and poll clerks include all expenses other than travelling expenses specified in item 21 of this scale)

12. An additional poll clerk may be employed full-time or part-time at a polling station at the discretion of the Returning Officer or his duly appointed Deputy Returning Officer, and may be paid an appropriate proportionate amount within the fee payable under item 11 of this scale.
13. For the provision of training for polling station staff, including a payment for staff undertaking the training £30.00 per presiding officer and poll clerk
14. Counting/Verification Supervisor:
A fee of
- (a) for the first hour..... £16.00
- (b) for each half hour thereafter or part thereof..... £8.00
15. Counting/Verification Assistant:
A fee of
- (a) for the first hour..... £12.00
- (b) for each half hour thereafter or part thereof..... £6.00
16. For the employment of persons for clerical and all other assistance other than where separate fees are provided. For each Electoral Division.....
- 1-member £108.50
2-member £217.00
17. Preparation and issue of poll cards and postal vote cards
- 1-member £18.45
2-member £36.90
- (a) For supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of.....
- (b) For the employment of persons in connection with preparation and issue of official poll and postal vote cards. For every 100 cards or fraction thereof for each Electoral Division, a fee of..... £2.30
18. To an officer designated by the Returning Officer or his duly appointed Deputy, for inspection and supervision of polling stations. A fee of..... £190.00
19. For preparation of ballot boxes. For each polling station, a fee of..... £3.65
20. For issue and receipt of postal ballot papers. For each Electoral Division
- (a) where the number of postal ballot papers issued is less than 25, a fee of..... £24.10
- (b) plus for each additional 25 or part thereof issued thereafter, a fee of..... £11.55

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21.	For travelling expenses of the Returning Officer, Deputy Returning Officer, Assistants, Presiding Officers, Poll Clerks and Counting Assistants, and for posting Notices of Election and Notices of Poll. Per mile.....	£0.45
22.	Hire of rooms.....	Actual and necessary cost
23.	For preparing a room for the purpose of a poll, and of a count, and cleaning and reinstating the room (per station) (a) in the case of a school maintained by a local authority, which may be used free of hire charge, the caretaker's fee is to be paid in accordance with the allowances in force in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service; or any local agreement; and (b) in any other building.....	Actual and necessary cost Actual and necessary cost
24.	Heating and lighting (per polling station) ...	Actual and necessary cost
25.	Conveyance of ballot boxes and voting screens.....	Actual and necessary cost
26.	Compensation payable in consequence of the cancellation of functions in order to make suitable premises available for use as polling stations or places of count.....	Actual and necessary cost
27.	For provision of ballot boxes and voting screens, for printing notices, ballot papers and other forms and documents required, including the printing costs, computer charges and all associated costs of producing the official poll and postal vote cards, and for stationery, advertising, postage, telephone calls, bank charges and miscellaneous expenses.....	Actual and necessary cost

NOTE: At a combined election of County with District or Parish Councillors, wherever appropriate the costs are to be shared on an equal basis between the relevant Authorities, unless a particular expense can actually be allocated to a specific authority.

Peter G Clark, County Solicitor and Monitoring Officer
Agreed by Audit & Governance Committee: (date to be completed)

**AUDIT &
GOVERNANCE
COMMITTEE
ANNUAL REPORT
2014**



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Chairman's Introduction

As the Chairman of the Audit and Governance Committee I am very pleased to present this annual report which sets out the role of the Audit & Governance Committee, and summarises the work we have undertaken both as a Committee, and through the support of the Audit Working Group in 2014.

The Audit and Governance Committee performs an essential role ensuring that good governance is maintained, with a strong system of internal control and risk management. These are the foundations upon which the Council can meet its challenges head on and continue to be effective in delivering good outcomes.

An important part of being effective as an Audit and Governance Committee is the relationship with both our Internal and External Auditors. We continue to have a strong working relationship with both.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) in 2013.

Finally I should like to take this opportunity to give my personal thanks to all the officers, Geoff Jones Chairman of the Audit Working Group, my Vice Chairman Cllr Sandy Lovatt and without exception, all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

COUNCILLOR DAVID WILMSHURST
Chairman, Audit & Governance Committee

Role of the Audit and Governance Committee

The Audit and Governance Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2013. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
2. The purpose of and Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The key functions of the Audit and Governance Committee are defined within the Council's Constitution; the relevant extract is attached as Annex 1 to this report. In discharging these functions the Committee is supported by the Audit Working Group, their terms of reference are attached as Annex 2 to this report.

Key Activities

In this section the activities of the Committee in 2014, including the Audit Working Group, are summarised under the headings of the key functions.

Internal Control

The 2013/14 Annual Governance Statement was agreed by the Committee, and included six areas for action to improve existing governance arrangements. The Committee actively monitors progress with the implementation of these actions. The six key areas are:

Secure Data Transfer
 Data Quality
 Business Continuity
 Partnerships Governance
 Commercial Services Board
 Hampshire IBC Partnership for Finance and HR Services

In response to Internal Audit and Risk Management reports the Committee has looked in detail at the following areas:

Business Strategies for delivery of savings
 Adult Social Care Client Charging including Fairer Charging
 Adult Social Care LEAN project
 Adult Social Care Implementation of the new IT System
 Adult Social Care Payments to Providers.

During 2014, the Committee commenced receiving cyclical presentations from the "Corporate Leads" who monitor the adequacy and effectiveness of the key governance processes. During the presentations the Leads set out their framework for monitoring and reviewing the key system, and the assurance it provides.

The Committee receives regular progress reports from the Chief Internal Auditor, including summaries of the outcomes from Internal Audit work. Through the Audit Working Group, the Committee monitors the progress with the implementation of management actions arising from audit reports.

Key Areas of Focus in 2015

- Implementation of the new management information system for Adult Social Care;
- Major Programmes;
- The Commissioning Cycle;
- Go live of the Hampshire IBP Partnership.

Risk Management

The Committee through the Audit Working Group has continued to undertake a cyclical review of the Directorate Risk Registers, and receive the quarterly risks management reports from the Chief Internal Auditor.

Whilst overall the reports received have demonstrated the process for reporting and escalating risks is being maintained, it was noted that the corporate risk register has not been regularly reviewed. This needs to be addressed in 2015/16.

A review of the Risk Management Strategy is to be undertaken during 2015.

Key Areas of Focus in 2015

- Risk Management Strategy
- Corporate Risk Register

Internal Audit

We approved the Internal Audit Strategy for 2014/15, and the quarterly Internal Audit Plans, which gives members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The reports of the Chief Internal Auditor to both the Audit and Governance Committee and also the Audit Working Group has enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

The annual review of the effectiveness of the system of internal audit, commissioned annually by the Committee is not yet concluded.

The resourcing of Internal Audit continues to be an issue, in particular the recruitment of new staff. Resource issues has again impacted on the delivery of the Audit Plan which is a concern; however, based on the evidence of the reports presented to the AWG and the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

Key Areas of Focus in 2015

- Strategy and resourcing of Internal Audit.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings in 2014, providing regular updates on their work plan and any matters arising. In addition during 2014, they have provided the Committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are very helpful to the Committee.

The external auditors have an open invitation to attend the Audit Working Group. They do not routinely attend, but do receive all the papers.

The Committee also met with the external auditors in a private session and are satisfied they are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

Key Areas of Focus in 2015

- **Maintaining a strong working relationship with Ernst and Young**

Anti-Fraud and Corruption

The Audit Committee receives regular updates from the Chief Internal Auditor on any reported matters of suspected fraud, including investigations. In 2014 there was a material fraud within the Print Unit, and in accordance with the Council's zero tolerance to fraud the matter was referred to the Police, and there was a successful prosecution.

The Council was successful in a bid for funding to support counter-fraud initiatives, and during 2015 will be working in collaboration with other public sector organisations to create a "Fraud Hub", lead by Oxford City.

We received a report on Whistleblowing from the Monitoring Officer, that highlighted there have been very few cases. Overall the Council has a strong system of internal control so it is not unexpected there is very little fraud identified; however nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

Key Areas of Focus in 2015

- **Fraud Hub - including proactive counter-fraud work**
- **Review of National Fraud Initiative data matches**

Annual Accounts Process

The 2013/14 Accounts were prepared on time and presented to the Committee for comment. We received the External Auditors report in September 2014 when it was very pleased to note that high standards had been maintained with no material issues reported.

Key Areas of Focus in 2015

- **Change management resulting from the transfer of functions to the Hampshire IBC Partnership, and the Impacts Project within OCC.**

Treasury Management

The Committee receives reports from the Treasury Management Team three times a year, exercising its stewardship role. The Committee:

- Reviewed the Treasury Management Strategy;
- Received the mid-term performance report; and,
- Received the annual report.

There were no material issues to note.

The committee members attended an industry update briefing presented by Arlingclose in January 2015 covering new legislation and potential risks; to help inform the review of the 2015 Treasury Management Strategy.

Key Areas of Focus in 2015

- Continued scrutiny over the Treasury Management process.

Governance

Committee agreed the Annual Governance Statement 2013/14 that explained how the County Council had complied with the code of corporate governance.

During 2014 the Committee reviewed the Corporate Governance Framework and the Code of Corporate Governance; and, contributed to the governance and constitution review.

The Committee also received the following reports, the annual report of the Monitoring Officer; the annual report of the Local Government Ombudsman; the use of the Regulation of Investigatory Powers Act 2000 (RIPA); and, the Fire and Rescue Service Annual Statement of Assurance there were not material issues or concerns.

The Committee has not received any reports in respect of investigations into allegations of misconduct under members' code of conduct. The Committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

The Committee is responsible for the work of the Appeals & Tribunals Sub-Committee which in 2014/15 was a panel of members, chaired by a member of the Audit & Governance Committee. They carry out a range of appeals and tribunals:

Type of appeal	Number in 2014/15	Result
Member Appeals:		
<ul style="list-style-type: none"> • Appeal against dismissal 	1	Not upheld.

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Type of appeal	Number in 2014/15	Result
<ul style="list-style-type: none"> • Appeal against redundancy selection 	1	Not upheld
<ul style="list-style-type: none"> • Raising concerns at work appeals 	2	Not upheld
<ul style="list-style-type: none"> • Disciplinary and Capability appeals 	0	
Job Evaluation formal appeals	0	
Home to School Transport Appeals	57	24 appeals upheld (wholly or in part) 30 appeals refused 3 appeals withdrawn

Membership, Meetings & Attendance

Audit and Governance Committee

The Audit and Governance Committee comprises of nine elected members representing the three main political parties and a Co-opted Member, Dr Geoff Jones.

The Audit Working Group, chaired by Dr Jones, comprises three elected members from the Committee, plus officers. Papers for the Audit Working Group are circulated in advance to all members of the Audit and Governance Committee. All members of the Committee can attend the working group meetings.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee. In 2014 the Chief Finance Officer, the Head of Law and Governance & Monitoring Officer, and the Chief Internal Auditor routinely attended the meetings. These same officers also attended the Audit Working Group meeting.

External Audit

The External Auditors, Ernst and Young, have attended all the Audit and Governance Committee meetings.

Meetings

The Audit and Governance Committee met six times in 2014 and the Audit Working Group met six times. Work programmes are used by both the Audit Committee and the Audit Working Group to ensure requirements of the Committee are fulfilled. The programmes are reviewed with officers at each meeting and added to when appropriate to ensure ad-hoc investigations instigated by the Committee are reported.

ANNEX 1 - Audit & Governance Committee Functions

The following are the functions of the Audit & Governance Committee extracted from the Constitution – Part 2 Article 8 Section 1(a).

- (1) The functions relating to elections specified in Section D of Schedule 1 to the Functions Regulations.
- (2) The functions in relation to the designation of particular officers for certain purposes specified in Paragraphs 39, 40, 43 and 44 in Section I of Schedule 1 to the Functions Regulations.
- (3) 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).
- (4) 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.
- (5) 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.
- (6) 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.

- (7) To promote high standards of conduct by councillors and co-opted members.
- (8) To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members.
- (9) To receive report from member-officer standards panels appointed to investigate allegations of misconduct under the members' code of conduct.
- (10) To advise the Council as to the adoption or revision of the members' code of conduct.
- (11) 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.
- (12) The Committee will appoint an Appeals & Tribunals Sub-Committee which will have the following responsibilities and membership:

Responsibilities:

- (i) The determination of appeals against decisions made by or on behalf of the authority as specified in Paragraph 2 of Schedule 2 to the Functions Regulations.
- (ii) To hear and determine appeals in cases where the relevant procedure rules require this function to be performed by a formally constituted committee or sub-committee.
- (iii) To hear and determine appeals in other cases under the relevant procedure rules.

Membership:

The Appeals & Tribunal Sub-Committee will meet as needed and its membership will be:

- (i) A member of the Audit & Governance Committee (or substitute)
- (ii) Two other members of the Council (one being a Cabinet member in the case of Fire Discipline issues)
- (iii) Where the Panel meets to consider home to school transport appeals, the membership of the Panel in that case will consist of one councillor, one officer and one independent person who is not to be a councillor.

ANNEX 2 - 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 and 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 and Governance 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 and 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
Telephone 01865 (32)3875
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Division(s):

AUDIT & GOVERNANCE COMMITTEE – 22 APRIL 2015

ANNUAL GOVERNANCE STATEMENT – ACTIONS

Report by the Monitoring Officer & County Solicitor

Introduction

1. Audit & Governance Committee agreed the Council's Annual Governance Statement (AGS) for 2013/14 in July 2014 (it is included in our Statement of Accounts for 2013/14). The AGS sets out details of our governance arrangements.
2. The AGS listed 6 'Actions' that were planned to improve our governance, for implementation in 2014/15. This report says whether these actions have been completed or whether more work will be needed on them in 2015/16 - in which case they will be included as actions in the next AGS.

Six Actions planned for 2014/15

3. Six actions were planned for 2014/15 in the AGS. They are listed in Annex 1. The left hand column of Annex 1 gives more explanation of what each action involved.
4. The right hand column of Annex 1 sets out what progress has been made towards completing the planned actions to date. In short:

Action	Outcome
1. Data transfers and security	Complete
2. Data quality	Complete
3. Commercial Services Board	Ongoing, with revised details
4. Business Continuity	Ongoing, with revised details
5. Externalisation of Human Resources & Finance Services to Hampshire	Ongoing, until July 2015
6. Partnerships review	Complete

5. Actions 1, 2 and 6 have been completed. However in the case of actions 3 and 4 it is considered that revised details of what is required are needed and these are set out in Annex 1. Action 5 continues at least until the handover to Hampshire in July 2015. So actions 3, 4 and 5 will continue to be actions in the next AGS. This Committee will consider the next AGS in July.

Financial and Staff Implications

6. This report has no implications, though the individual projects will have implications which are reported separately.

Equalities Implications

7. Again, none, though the individual projects will have implications.

RECOMMENDATION

8. **The Committee is RECOMMENDED to agree and confirm the progress made on the actions planned for 2014/15 which will be reported in the next Annual Governance Statement.**

Peter Clark – Monitoring Officer & County Solicitor

Background papers: Annual Governance Statement 2013/14
(published as part of the Annual Statement of Accounts 2013/2014).

<https://www.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/accestoinformation/StatementofAccounts2013-14.pdf>

Contact Officer: David Illingworth Tel (01865) 32 3972

April 2015

Final Report on progress - Six AGS Actions for 2014/15

Action	Progress
<p>1. Data Transfers and Security (on-going from 2012/13)</p> <p>Ensuring that where appropriate, data is transmitted securely either using 'Government Connect', or Egress Switch email and file transfer software or another secure software system.</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> • The authority now holds 250 PSN email licenced accounts (replacing Government Connect GCSx accounts) and 1,511 Egress Switch licences, in addition to CJSM (Criminal Justice Secure Mail) accounts • A comprehensive communications plan has been drafted and is now in operation so that messages about sending data securely are consistently reinforced • Guidance has been drafted and issued to staff on the correct system to use when communicating with other public partners, Schools and voluntary organisations. • Targeted emails have also been sent to licence and account holders to ensure they are using the systems appropriately • This campaign has proved to be successful as evidenced by a recent email from Thames Valley Police: <ul style="list-style-type: none"> <i>"I am pleased to confirm that I have seen an increased use of secure email by county colleagues over the last 6 months. As you are aware, Thames Valley Police do not use Egress as it does not have sufficient security level. As such, when I have received Egress emails from county colleagues I have notified them that TVP are unable to accept Egress emails and to contact the ICT Business Delivery team to arrange access to secure email. This has proved successful and I now very rarely receive such emails, so thank you for your support with this.</i> <i>DCI Katy Barrow-Grint, Oxfordshire Protecting Vulnerable People Unit, Thames Valley Police</i> • Schools have been advised of the correct procedures for secure data sharing and transfer through the regular Schools Bulletin • All staff with PSN secure email accounts have signed up to the PSN Acceptable User Policy (AUP). • At the beginning of 2014 a new PSN Email system was delivered, with training to support account-holders in the

Action	Progress
	<p>use of the new system</p> <ul style="list-style-type: none"> • ‘Tell Us Once’ teams in Registration Service and CSC were migrated to PSN in May 2014 • The ICT Newsletter that was handed out at the last Staff Conference included details about the use of secure email. • We also take the opportunity to remind staff of the need to communicate securely, and the arrangements in place, at our regular on site, support visits. • Work is underway to update Information Asset Registers (IARs) across the Authority. This will give us an up-to-date record of Information Asset Owners in the business. • Visits to Information Asset Owners to complete the IARs has also provided an opportunity to explore methods of secure data sharing and transfer currently in use in a given service area, and to advise and inform about best practice where necessary, thereby increasing awareness and improving compliance • This improved intelligence on Information Asset Owners will enable us to better target communications with a group of interested and engaged staff in the authority, through the use of a dedicated online ‘Group Page’ and forum. This will enable us to issue updates, build a knowledge hub and encourage peer to peer discussion in the wider field on information management and security • The new Acceptable Use Policy was launched in early March 2015, and all relevant staff, elected members and contractors are required to undertake the associated eLearning course, with sanctions if this is not done (without good reason) by the end of April 2015. The course contains comprehensive guidance on the importance of data and information security, along with guidance on secure sharing and transfer • A more consistent approach to investigating Data Security Breaches (including incorrect file transfer and sharing) has been implemented since late 2014. This involves Information Management Consultants liaising with service IG leads, investigation into causes of breaches with service managers, and advice and

Action	Progress
	guidance issued to ensure the breaches are not repeated. These breaches are reported to IGG, to enable any patterns or priorities to be discerned
<p data-bbox="188 434 504 506">2. Data Quality (on-going from 2013/14)</p> <p data-bbox="188 539 504 797">Agree, implement and report on the performance of a Data Quality Strategy within the organisation and with third parties</p> <p data-bbox="188 831 373 866">COMPLETE</p>	<p data-bbox="526 434 1326 539">A revised version of the Data Quality Strategy has been produced and is now being taken to the County Council Management Team.</p> <p data-bbox="526 573 1321 651">The key actions that will be taken forward to ensure the policy is put into practice are:</p> <ul data-bbox="544 685 1390 2020" style="list-style-type: none"> <li data-bbox="544 685 1321 831">• The development of a common set of operating standards, with the aim of reducing costs, reducing duplication, increasing resilience, development of a shared pool of knowledge and skill <li data-bbox="544 875 1390 1021">• Existing job descriptions involving work with data will be updated to reflect this new approach to common operating standards, and to encourage a common approach across organisational boundaries <li data-bbox="544 1055 1366 1167">• The improvement of data management to ensure data sets are centrally stored with clearly assigned ownership, with accurate metadata <li data-bbox="544 1200 1390 1312">• The increased use of data warehousing and information hubs to enable data to be rationalised and centralised, leading to more efficient cleansing, linking and analysis <li data-bbox="544 1346 1350 1391">• Revised and strengthened processes around sign-off <li data-bbox="544 1424 1366 1615">• Extended use of 'Single view of data' and 'Single view of truth' practices, already in use in CEF, leading to more effective and reliable sharing of data, particularly relating to vulnerable clients, thereby improving citizen outcomes <li data-bbox="544 1648 1334 1727">• Enhanced information sharing with partners through better use of the JSNA <li data-bbox="544 1760 1350 1906">• improved contracts with commissioned services to ensure a better flow of data from them, and to ensure that they meet the required standards of information security <li data-bbox="544 1939 1350 2020">• Strengthened processes to govern ownership of data quality within case management and service delivery

Action	Progress
	<p>systems</p> <ul style="list-style-type: none"> • Continuing review and improvement of our legacy data sources, ensuring that ownership and access is appropriate to roles • The development of a comprehensive communications plan to support this strategic approach, with audience and stakeholder segmentation to ensure that the right messages go to the right groups of staff, partners and contractors • The provision of training and guidance to support this strategic approach, as necessary
<p>3. Commercial Services Board (on-going from 2013/14)</p> <p>The Board's framework should be embedded and implemented effectively. This will provide an on-going robust overview of the adequacy of procurement and contract management arrangements across the organisation including contract performance and visibility of issues/risks.</p> <p>ONGOING</p>	<p>The Board continues to monitor significant commercial activity.</p> <p>The business case review group - a subset of the Board - has added further to its capacity to review the commercial aspects of business cases.</p> <p>The Board's sponsorship of Contract Management Framework implementation has led to an improved picture of the Platinum group of contracts (those that are both particularly critical and involve spending of more than £1m per year). 22 or 26 assessments of these contracts have been completed - although not all have been signed off and had action plans developed.</p> <p>Over 240 people have identified themselves as contract managers and of these 114 have been validated for one of the contract management training events.</p> <p>The first module "Effective Contract Management" is now live following a successful pilot and the first 6 groups of managers have been trained and are working towards the award of a "Passport to Practice" accreditation. A further three advanced contract management modules have been developed with 9 delivered so far.</p> <p>For those managing lower value contracts a comprehensive e-learning module has been launched. This is expected to be completed by appx.150 employees.</p> <p>Embedding the Boards work and re-enforcing its role and</p>

Action	Progress
	<p>purpose continues to be challenging and further work on this is being undertaken. In particular we are supporting the development of a more consistent approach to commissioning.</p> <p>Work is underway to look at how the commissioning cycle and the Commercial Services Board fit into the wider context. Further work is required and an action plan is being taken to CCMT in April.</p> <p>Some recent developments suggest that work needs to continue in this area. Currently areas where more work is needed are as follows:</p> <ol style="list-style-type: none"> 1. Embedding and communicating the role of the Commercial Services Board. 2. Implementation of the Contract Management Framework 3. Development of the County Procurement Team including resources to support the ongoing work of the Commercial Services Board and implementation of the contract management framework. 4. Tackling instability arising out of the externalization agenda and the effect on SAP governance and control mechanisms
<p>4. Business Continuity</p> <p>a. Undertake a review of Business Continuity processes, guidance documents and templates to ensure that they reflect contracted services and rationalised process.</p> <p>b. Ensure that appropriate BC toolkits, training and testing information is available to staff and managers.</p>	<p>Good progress is being made within Business Continuity (BC) and a new BC and Resilience Officer started in the organisation in July 2014. He undertook a review of business continuity processes and the relationship of this area to audit, assurance and directorates.</p> <p>The review of BC processes used Good Practice principles, starting with consultation with directorate and service leads. This will inform the drafting of a new suite of guidance and templates in 2015. A review of directorate and corporate extraordinary meetings plans is underway to ensure that there is a consistency of approach throughout.</p> <p>A new joint emergency and BC programme was launched towards the end of 2014, offering training and exercise opportunities to individuals and key groups using online, table-top and immersive exercise techniques.</p> <p>The new BC & Resilience Officer has made good progress</p>

Action	Progress
<p>c. Ensure that all necessary plans exist, can easily be accessed on a central database and are up to date and realistic.</p> <p>d. Ensure that plans are updated when there is organisational change, estate rationalisation or increasing flexible or agile working.</p> <p>e. Ensure that business continuity arrangements are reviewed and if necessary changed when commissioning or externalising services.</p> <p>f. Ensure that Tier 3 managers sign off the plans.</p> <p>ONGOING</p>	<p>working with the BC Steering Group Members to review Group 1 service BC plans and are building a new system for their collation and management. The new system should enable the managers to review plans in a timely way and in response to structural or organisational change ensure that they remain current and reflect risk, service priorities and desired return schedules.</p> <p>Extended CCMT were involved in an Emergency Planning exercise in December 2014.</p> <p>Work needs to continue in this area. Currently areas where more work is needed to:</p> <ol style="list-style-type: none"> 1. Introduce robust BC scrutiny into outsourcing/commissioning activity. 2. Embed BC into agile working approach and new project/programme commencement. 3. Improve links between Directorate risk management and core BC programme through the BC Steering Group. 4. Improve the Priority 1 exercise programme with integrated exercising, a new schedule and framework. 5. Improve understanding of BCMS across the organisation through training and briefings. 6. Implement the Good Practice Guidelines as BC framework for organisation and raise awareness to management. 7. Scrutinise the BC resilience of new projects. Notably the Integrated Business Centre (run by Hampshire) and the Joint Fire Control, to support bedding in for the first year.
<p>5. Externalisation of Human Resources and Finance Services</p> <p>Setting up, implementing and embedding our new operating model includes extensive working with another</p>	<p>An extensive programme of work to ensure the successful transfer of Human Resources and Finance Services to Hampshire County Council began in September 2014.</p> <p>There is an established governance framework for the project. The Chief Finance Officer and Chief HR Officer attend regular Joint Board Meetings with Hampshire County Council. A Project Initiation Document (PID) has been signed by both authorities to clearly identify the deliverables and scope of the project. Within OCC, the Externalisation</p>

Action	Progress
<p>public body and other work. The following action is required as a result.</p> <p>Develop for the approval of CCMT and the Audit & Governance Committee a robust assurance framework for the governance and systems of internal control for the planned externalisation of services including explicitly those where there may be a transfer in full or in part of key control processes.</p> <p>Risks arising as our partners access our data and other information assets will need to be explicitly considered.</p> <p>The output of this process is to be reviewed by CGAG, approved by CCMT and Audit & Governance Committee.</p> <p>ONGOING TO JULY</p>	<p>Board comprising the Sponsors and other senior officers oversees the project and receives reports from relevant workstream leads, including any risks and issues that they have highlighted.</p> <p>During the initial design phase of the project, a series of workshops identified all the operating differences in processes between the two authorities, including any internal control issues. The risks and issues log is a fundamental part of the project management arrangements and is reviewed frequently at both workstream and Board level. Any proposed changes to internal controls are considered and agreed by the Finance Leadership Team.</p> <p>Work over the next few months will include continued development, agreement and build of future processes and technical solutions, where security of data issues will be considered. The Business Readiness work stream now underway will ensure that Directorates and schools understand and are prepared for any changes as a consequence of the Project.</p> <p>Following the completion of the initial design phase there is now agreement over the functions that are in scope for transferring to the IBC. There are a small number of functions that have been identified as being out of scope currently; as a result a new "Impacts" project, is being scoped to look at the management and operation of these retained functions going forward. The "Impacts" project will operate under the same internal governance board arrangements as the Externalisation programme.</p> <p>The formal staff consultation has been completed, jobs are being advertised and interviews starting. Steps are now being taken to ensure both a successful transfer and continuation of service. (Steve Munn 12/3/15)</p> <p>Annex 2 gives further details of progress on this issue.</p>
<p>6. Partnerships</p> <p>To undertake a review of governance arrangements in relation to key strategic partnerships where the council is</p>	<p>The Council is now necessarily involved in a complex system of Partnerships. Steps are being taken to ensure that Councillors and staff are aware of and understand these new arrangements:</p> <ul style="list-style-type: none"> • The Head of Law & Governance and the Head of Policy gave a briefing in July 2014 that was open to all

Action	Progress
<p>a formal member.</p> <p>COMPLETE</p>	<p>councillors. Staff were also briefed, in August.</p> <ul style="list-style-type: none"> • A report was presented to the full meeting of the County Council on 9th September outlining the work being done by various strategic partnerships. A similar report was put to the Oxfordshire Partnership, with verbal updates where necessary, on 2nd October. • The report to Council outlines the governance arrangements for each of the partnerships. Next year's report will look at the formal and informal feedback mechanisms. • Details of the main partnerships that the Council is involved in were set out in the report to this Committee, in November 2014. • Since then functions of the 'Spatial Planning and Infrastructure Partnership' have been incorporated into the Oxfordshire Growth Board. The Oxfordshire Growth Board is a Joint Committee charged with the delivery, on behalf of the Local Enterprise Partnership, of the projects agreed in the City Deal and Growth Deal that fall to the councils - working collaboratively - to deliver. It also exists to advise on matters of collective interest, to seek agreement on local priorities and influence relevant local, regional and national bodies. • Governance arrangements for the Environment Partnership were reviewed were agreed at the January 2015 meeting. This partnership brings together the former Oxfordshire Waste Partnership (a statutorily constituted Joint Committee) and the Oxfordshire Environment Partnership. The Environment Partnership meets again on 19th June.

Externalisation of Human Resources and Finance Services

Progress at 20th March 2015

Systems Integration Testing (SIT) and User Acceptance Testing (UAT) and cutover

The first phase of SIT has been completed, with 96% of all tests passed. The defects identified are in the process of being fixed with the remaining tests being retested w/c 16th March. Successful completion of these tests will enable the Project to move to the second phase of SIT on 23rd March. This phase is due to end on 17th April.

UAT is scheduled to commence on 20th April and run for 6 weeks. We are asking for volunteers from across the directorates and schools to participate which will test not only the systems and processes, but validate the guidance documentation being put in place to support our staff.

Cutover plans are being worked on now to ensure that we have plans in place to manage the transition process, and these are clearly communicated to managers and staff.

Business Readiness

Impact Assessment Workshops and Managers Awareness Briefings have been delivered. 13 workshops and 22 briefings were held reaching over 600 managers. A number of impacts were raised and large number of questions were answered from the audience. Positive verbal feedback has been received. Just under 300 questions were taken away and will be responded to through the FAQ format and available to all staff on the intranet.

Targeted employee self-service briefings are scheduled to occur over April and May for those who do not currently use self-service. General employee self-service briefings are taking place over June. Planning of detailed Process Briefings is underway with Hampshire and Oxfordshire. A number of briefing days are planned to occur over June prior to go live.

Volunteer managers' briefings are being scheduled to occur over May.

Testing of data cleaning, access levels and authorisation levels are being established.

Cutover plans are being co-ordinated and communicated to managers and staff.

Staff Consultation

The consultation period ended on the 9th March. The majority of staff in scope are unable to transfer to Hampshire County Council and we are working through a large

programme of seeking redeployment for staff across the County Council. Where it is not possible to redeploy staff they will become redundant at the 30th June, 2015. Support is being provided to all staff through line management support, our Career Transition Service and the Council's Employee Assistance Service. UNISON are fully consulted over all issues affecting staff and Peter Fryer is the nominated UNISON officer for the externalisation programme.

Retained Services

OCC Oxfordshire Customer Services (OCS) Retained Services

There are a number of services that are to be retained within OCS, which are outside of the scope of the IBC service. An OCS Retained Services Project has been initiated to review these services/functions to determine what should continue to be provided, who should undertake the delivery of them, and where in the County Council's structure they should sit. Initiation was agreed by the December 2014 Externalisation Board with the scope covering Council and Schools facing services within Oxfordshire Customer Services that are not part of the IBC scope.

These projects have the following agreed aims:

- Review and optimise retained services that will not make up part of the IBC
- utilising Lean Six Sigma principles where appropriate
- Identify and realise efficiency savings to meet MTFP savings targets for OCS
- Ensure that this review work and any changes aligns with the Impacts Project
- Interactions with IBC work which is taking place at the same time
- Oversee other Hampshire partnership opportunities outside of the IBC
- Manage the cessation of services where appropriate

All changes on these areas as a consequence of the IBC will fall within the OCC IBC Impacts Project.

Impacts Projects

OCC IBC (Integrated Business Centre) Business Impacts Project

The Impacts Project Initiation Document was approved by the Externalisation Programme Board in February 2015 with agreement that progress reporting will be shared with Hampshire County Council on a fortnightly basis for information on how OCC will review and examine the necessary changes on corporate service functions and their interactions with the Hampshire Integrated Business Centre from 1st July 2015 when the services to OCC become operational.

The Design Phase of the OCC On-boarding Project involved nearly 50 process workshops. These workshops focussed on demonstrating the IBC processes and solutions in order to identify gaps in OCC's requirements to adopt the IBC services. The output of this work has been recorded in fit-gap logs for each of the six functional areas, the reference point for which has been the existing set of services provided by the IBC. Each element within the process was categorised as follows:

- **Fit:** the process matches both OCC and HCC , though in some instances a minor change will be required within OCC;
- **Gap:** the IBC solution needs to be modified in order to accommodate OCC or its way of working and the modification will be recommended for all IBC partners;
- **Business impact:** OCC needs to change its way of working;
- **Enhancement:** an opportunity for both parties to improve the way in which they operate.

This Impacts Project is going to focus solely on OCC Corporate Services changes that need to be accommodated from either the **Fit** or **Business impact** element.

The IBC On boarding Project Process Workstream Teams have summarised the combined Workstream Business Impacts elements from the individual Fit Gap logs and have categorised these into the following change requirement; Operating Model, Policy, Process & Procedure, Technology and Other. This segmentation has been graded on the degree of expected impact, High, Medium or Low.

The Project Team is exclusively made up of resources currently involved or familiar with the IBC On–boarding Project. There will be a requirement to access resources from the various OCC Corporate Functions to support the individual Workstream leads to meet their objectives.

19 March 2015

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Joanna Simons
Chief Executive
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

02 April 2015

Ref: Ox County/Fee ltr 15/16

Direct line: 07769932604

Email: mgrindley@uk.ey.com

Dear Joanna

Annual Audit and Certification Fees 2015-16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015-16 financial year at Oxfordshire County Council.

Our 2015-16 audit is the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015-16 audits.

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts

For the 2015-16 financial year the Audit Commission has set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015-16 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards

- ▶ The financial statements will be available to us in line with the agreed timetable
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable
- ▶ Prompt responses are provided to our draft reports

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

We have set the Council's planned fee at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014-15, our audit planning process for 2015-16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2015-16 £	Planned fee 2014-15 £
Total Code audit fee	109,958	146,611
Non audit work		
Financial analysis for payment mechanism for Ardley E/W Facility		6,000
High level review of the potential for unitary status		33,000
Assurance report on Teachers Pension		10,000

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £27,489.50.

Audit plan

We aim to issue our 2015-16 audit plan early in 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Audit team

The key members of the audit team for the 2015-16 financial year are:

Maria Grindley
Director

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Tel: 07769 932604

Alan Witty
Senior Manager

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Maria Grindley
Director
For and on behalf of Ernst & Young LLP
United Kingdom

cc Lorna Baxter Chief Finance Officer
David Wilmshurst Chair of the Audit and Governance Committee

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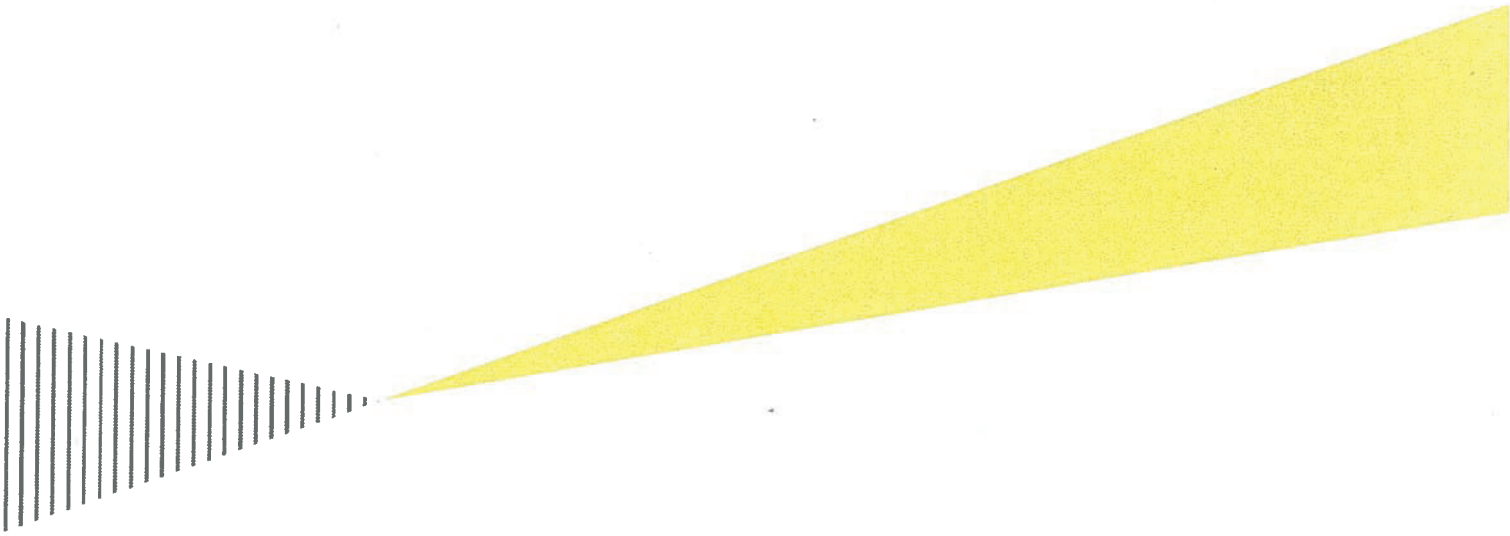
Oxfordshire County Council

Year ending 31 March 2015

Audit Plan

22 April 2015

Ernst & Young LLP





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Audit and Governance Committee
Oxfordshire County Council
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9 April 2015

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 22 April 2015 and to 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
United Kingdom

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's 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.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

1. Overview

Context for the audit

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

- ▶ Our audit opinion on whether the financial statements of Oxfordshire County Council (the Council) give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended;
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

We have identified two significant risks to the opinion on the financial statements, which are the risk of management override and the risk of revenue and expenditure recognition and two other financial statement risks relating to the resources in finance and the approach to accounting for schools.

There are two significant risks to our value for money conclusion, overall delivery of financial resilience and the partnership agreement with Hampshire County Council around back office services. In addition to this we are considering two other areas in relation to the conclusion, the decision making around the chief executive role and the operation bullfinch serious case review. We must consider these because of the nature of local authority finances and ever-increasing pressures on management to achieve financial targets.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on them. We currently do not expect to rely on controls over some of the Council's systems where it is more efficient to do so.

The Council has a good track record in producing financial statements with few or no adjusting errors. We expect this to continue and would ask that, given the financial and other pressures on the Council, any errors identified through the audit process are adjusted for.

To the fullest extent permissible by auditing standards, we will rely on the work of internal audit where appropriate. Internal audit maintain documentation of key processes, document and evaluate changes, and test management controls.

The key members of our audit team are Maria Grindley (Director), Alan Witty (Senior Manager) and Di Rice (Lead Executive)

There has been no change to the scope of our audit compared to previous audits.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for the Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ Securing financial resilience; and
- ▶ Challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 4 of this Audit Plan.

Certification work

No grant claim work is planned or expected.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers. At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias, and ▶ evaluating the business rationale for significant unusual transactions.
Revenue and expenditure recognition	
<p>ISA 240 requires auditors' consideration of the risks of material misstatement due to fraud to be based on a presumption that there are risks of fraud in revenue and expenditure recognition. This is due to the potential pressures or incentives on management to commit fraudulent financial reporting to achieve an expected financial outcome through inappropriate revenue and expenditure recognition.</p> <p>Given the level and nature of revenue and expenditure; and the financial challenges facing the Council, we are unable to rebut this presumption of fraud and therefore assess this as a significant risk.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ evaluating the types of revenue and expenditure and the associated risks; ▶ evaluating the selection and application of relevant accounting policies by the Council; ▶ understanding the systems relevant controls; and ▶ performing audit procedures to obtain the necessary assurance.
Other financial statement risks	
Oxfordshire County Council resources	
<p>The Council is going into partnership to deliver a number of back office functions to a Hampshire Partnership known as the Integrated Business Centre (IBC) from 1 July 2015.</p> <p>A number of staff working in the finance function will be made redundant or transfer to Hampshire County Council on that date. Some staff may leave before then and staff are involved in preparing for the partnership arrangement. The Council are bringing in additional resources to provide cover for the year end close down and preparation of the final statements. There is a risk that sufficient and knowledgeable resources will not be available to complete the financial statements or respond to audit queries</p>	<ul style="list-style-type: none"> ▶ We will liaise with the Finance Team at the Council and discuss accounting issue that arise during the close down process; ▶ We will monitor the timetable to deliver the financial statements to ensure that key milestones are achieved; and ▶ Review and monitor response times to audit queries to ensure that the audit remains on target to meet our reporting deadlines
Accounting for schools' non-current assets	
<p>The 2015 Accounting Code confirms that local authority maintained schools (community, voluntary aided, voluntary controlled and foundation) should be treated as entities for financial reporting purposes in accordance with IFRS 10, and adapts the definition of single entity financial statements so that schools are consolidated into these statements.</p> <p>In December 2014, CIPFA/LASAAC issued LAAP Bulletin 101 Accounting for Non-Current Assets Used by Local Authority Maintained Schools providing guidance on the application of the Accounting Code to non-current assets, particularly in respect of Voluntary Aided (VA), Voluntary Controlled (VC), and some foundation schools where non-current assets are owned by a third party.</p> <p>Despite the changes to the Accounting Code and the additional guidance included in LAAP Bulletin 101, there remains the potential for different interpretations of how</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ confirming that the Council have not applied a 'blanket' approach to recognition, but have considered the nature of the agreements in place locally when determining their accounting approach; ▶ ensuring that the Council have correctly applied the relevant accounting standards (IAS16) to the non-current assets for each category of schools; ▶ reviewing documentation and evidence that support the accounting treatment adopted; and ▶ ensuring appropriate disclosures of the judgments and accounting policies applied to schools' assets.

non-current school assets are accounted for in 2014/15.

Respective responsibilities in relation to fraud and error

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

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

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

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

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for the Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at Council for securing:

- ▶ Financial resilience, and
- ▶ Economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM. Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

At this stage we have identified two significant risks, one relating to financial resilience and one relating to achievement of value for money in the use of resources. We acknowledge the Council operates in a context of increasing financial pressure and we will keep our risk assessment under review throughout our audit and communicate to the Audit and Governance Committee any additional local risk-based work we may need to undertake.

Significant risks	Impacts arrangements for securing	Our audit approach
Delivering financial resilience		
The Council is reporting an overspend in both Adult and Children's Social Care and is having to plan for significant cuts in spending in future years. In the Cabinet report of 24 February 2015 directorates are forecasting to overspend by £4.3m, This has reduced by £6m compared to the £10.3m forecast overspend reported to Cabinet in December. The forecast includes the release of £2.8m corporate contingency to Children's Social Care as agreed by Council on 4 November 2014. This is a changing position as the Council identifies savings and we understand that the next report to Cabinet on 21 April will set out a projected overspend in 2014/15 of £1.2m (having used £2.7m contingency). A balanced budget has been set for 2015-16 but this includes the used of reserves. The Council's Medium Term Financial Plan dated April 2014 identifies savings of £64m and over the period of the Plan earmarked reserves will fall by £90m to £12.6m.	Financial resilience	Our approach will focus on: <ul style="list-style-type: none"> ▶ Assessing the robustness of processes for identifying and implementing savings ▶ Review of the 2015-16 budget and Medium Term Financial Plans – 2014/15 -2017/18.
Partnership with Hampshire County Council		
To make cost savings the Council has decided to go into partnership for the delivery of its back office functions. The Council undertook a soft market testing and were contacted by Hampshire County Council who invited them to join a partnership with them, Hampshire Chief Constable and Hampshire Fire and Rescue known as the Integrated Business Centre (IBC). The Council accepted this offer and during the on-boarding process the scope of what will be included in the partnership has been reduced. This will have changed the costs and savings from those in the initial plan and the basis of pay-back calculation.	Economy, efficiency and effectiveness in the use of resources	Our approach will focus on: <ul style="list-style-type: none"> ▶ assessing the decision making process; ▶ reviewing the project planning and desired benefits; ▶ reviewing legal advice obtained; ▶ reviewing comparative financial information used in decision making including pay-back; and ▶ reviewing mechanisms to manage the implementation and subsequent running of the partnership.

Other value for money considerations	Impacts arrangements for securing	Our audit approach
Decision making around the Chief Executive role		
<p>At a meeting of the County Council on the 17 February 2015 it was decided that the Chief Executive would be made redundant and would not be replaced. The reason for this decision was to save costs and streamline the management structure of the Council. On the 26 February 2015 the Council announced that following questions from Members and legal advice the Council would review the current proposal. Report to County Council on 24 March 2015 recommended to rescind the decision to make the Chief Executive redundant and this was agreed.</p>	<p>Economy, efficiency and effectiveness in the use of resources</p>	<p>Our approach will focus on assessing the robustness of the process for decision making in relation to the Chief Executive position.</p>
Operation Bullfinch Serious Case Review		
<p>The serious case review was released in March 2015. Since operation Bullfinch the Council have taken extensive action in a number of areas. We need to consider whether there are any matters coming out of the review that impact on our audit.</p>	<p>Economy, efficiency and effectiveness in the use of resources</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the serious case review and the actions taken by the Council and whether there are any implications for our vfm conclusion.

5. Certification work

No certification is planned for 2014/15 under the contract let by the Audit Commission for Oxfordshire County Council.

6. Our audit process and strategy

6.1 Objective and scope of our audit

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

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

We issue a two-part audit report covering both of these objectives.

i Financial statement audit

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

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

6.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls in place and undertaking walkthroughs to confirm our understanding of the processes;
- ▶ review and re-performance of the work of internal audit where we intend to rely on their work;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the Council has not identified any key processes where we will seek to test key controls. We have concluded that a substantive approach will be a more efficient audit approach.

Analytics

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

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

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

Internal audit

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

Use of experts

We will use specialist EY resources as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions and valuation.

Mandatory procedures required by auditing standards

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

Procedures required by standards

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

Procedures required by the Code

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

- ▶ Reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

6.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have determined that overall materiality for the financial statements of the Council is £10.184 million based on 1% of gross expenditure.

We will communicate uncorrected audit misstatements greater than £509,000 to you.

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

6.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Council is £146,610. No grant claim work is planned or expected. Given the increased level of risks identified this year we envisage that we may need to undertake more work and this will result in an additional fee. This will be discussed with the S151 officer when it is clearer how much additional work is required.

6.5 Your audit team

The engagement team is led by Maria Grindley, who has significant experience on local authority audits. Maria is supported by Alan Witty who is responsible for the day-to-day direction of audit work and is the key point of contact for the Chief Finance Officer.

6.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Governance Committee cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate.

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

Audit phase	Timetable	Audit and Governance Committee timetable	Deliverables
High level planning	December 2014 and January 2015	25 February 2015	Progress Report
Risk assessment and setting of scopes	February 2015	22 April 2015	Audit Plan
Testing routine processes and controls	March & April 2015	1 July 2015	Progress Report
Year-end audit	July & August 2015		
Completion of audit	September 2015	16 September 2015	Audit Results Report Auditor's report (including our opinion on the financial statements and overall value for money conclusion) Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2015	18 November 2015	Annual Audit Letter

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

7. Independence

7.1 Introduction

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

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

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

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

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

7.2 Relationships, services and related threats and safeguards

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

Self-interest threats

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

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

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

The non-audit fees at the date of this report: are as follows:

Non audit work	£
Financial analysis for payment mechanism for Ardley E/W Facility	6,000
High level review of the potential for unitary status	33,000
Assurance report on Teachers Pension	10,000

We believe that this additional work does not pose a threat to either our financial statements opinion or value for money conclusion work because of its size compared to the audit fee and also as it does not impact on any areas that are subject to our Code audit work.

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

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

Self-review threats

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

There are no self-review threats as the non-audit work does not cover areas that we audit under the Code i.e. the opinion or value for money conclusion.

Management threats

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

There are no management threats at the date of this report as none of the non-audit work involves us taking decisions on behalf of management.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. David Guest who has worked on the interim financial audit has known and plays football with a member of the finance team. This member of staff works on Treasury Management and David Guest is prohibited from working on aspects of the audit relating to Treasury Management.

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

Overall Assessment

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

7.3 Other required communications

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15 £	Out-turn 2013/14 £	Published fee 2013/14 £
Opinion Audit and VFM Conclusion	146,610	146,610	146,610
Total Audit Fee – Code work	146,610	146,610	146,610
Non audit work			
Financial analysis for payment mechanism for Ardley E/W Facility	6,000	6,000	
High level review of the potential for unitary status	33,000		
Assurance report on Teachers Pension	10,000		
Total Fee	195,610		
Certification of claims and returns	0*	4,541**	700

All fees exclude VAT.

**the Audit Commission sets the claim scale fee by formula, based on the audit two years previously (i.e. in 2012/13). At the moment there is no planned certification work.*

*** Local transport plan major projects*

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ The Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee.

Please note - given the increased level of risks identified this year we envisage that we may need to undertake more work and this will result in an additional fee. This will be discussed with the S151 officer when it is clearer how much additional work is required.

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

Appendix B UK required communications with those charged with governance

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

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

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

EY | Assurance | Tax | Transactions | Advisory

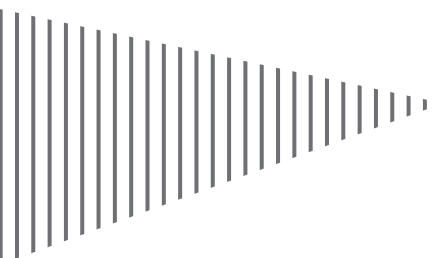
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Local government audit committee briefing

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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

EY ITEM Club Winter Forecast 2014-15

The latest forecast by the EY Item Club for winter 2014-15 highlights the global oil price collapse, which is creating winners and losers worldwide – with the UK decisively a winner. It sees cheaper energy giving consumers a major shot in the arm and driving inflation as measured by the Consumer Prices Index (CPI) down to an average of zero this year. As a result EY Item Club has revised up its forecast for UK GDP growth in 2015 to 2.9% from 2.4% in October. With inflation averaging zero in 2015, this will effectively put any rise in base rates on hold until 2016. Together with stronger real income growth, a boost in housing activity is predicted.

Against this, the negatives are risks which could arise, as opposed to existing ones. A lack of demand in the global economy is a factor reflected in the oil price and worries over the Eurozone are intensifying. Additionally, the consumer-led growth in the UK economy will leave it even more unbalanced and dependent on domestic consumption.

2015-16 Local Government settlement

Following the provisional settlement published in December 2014, the government has published its final 2015-16 settlement in February. The overall reduction in spending power has been calculated as 1.7%, with a maximum reduction of 6.4%.

An additional £74mn has been allocated to upper tier authorities to reduce pressures in areas including local welfare and health and social care budgets.

The government also announced £37mn being provided to Authorities in 2014-15 for the provision of additional support packages to prevent hospital admissions where possible, and ensure that support is available to enable patients to leave hospital when they are ready.

The Local Government Association (LGA) has produced a briefing on the final settlement which includes the following messages:

- ▶ Councils will have to make savings of £2.5bn in their budgets in 2015-16. Sixty percent of respondents to an LGA survey in 2014 were considering stopping at least some key local services in 2015 due to lack of funding, which demonstrates the future pressure on front line services unless savings and alternative income streams are identified, and existing income streams maximised.
- ▶ Services including social care for children are seeing reductions for the first time
- ▶ Reductions of the same magnitude are forecast by the Office for Budget Responsibility and the Institute for Fiscal Studies until 2020
- ▶ The LGA welcomes the announcement of an additional £74mn, but calculates a reduction in welfare funding of £100mn



Accounting, auditing and governance

Annual reports and accounts – lessons from the private sector

In its September 2014 report *Out with the old, in with the new* EY made observations from its review of 2013 annual reports in the FTSE 350. The issues and challenges addressed resonate strongly in the public sector. In this article, we consider some of the key messages from that report and how local government bodies can benefit from embracing those messages.

Does size matter?

It is a difficult balancing act to decide the optimum level of information reported to stakeholders. EY's report found that the best Annual Reports and Accounts were not necessarily the longest or the most detailed. Stakeholders want the annual report to present concise and relevant information in a way that helps them understand how their money is being spent and how their services are being managed, along with a clear description of the risks and challenges that lie ahead.

Think FBU – 'fair, balanced and understandable'

The annual report is a chance for bodies to tell the story of the last 12 months, and FBU is a helpful guiding concept. The focus of the report should be on the narrative – why we exist, our strategic priorities, how we have progressed over the last 12 months. Some of the best examples of transparent reporting explained 'what didn't go to plan' in key areas of the narrative. Reporting weaknesses, difficulties and challenges as well as successes, makes for a 'fair' and 'balanced' report and, over time, will help build trust with stakeholders. The best annual reports will have clear signposting between each section and will cross refer between sections.

Bodies should do more to integrate financial and non-financial reporting, for example, by highlighting the key financial

and non-financial strategic objectives and how chosen key performance indicators are truly driving value and achievement against these objectives. There should be a clear explanation of how risks impact the organisation and could impede the achievement of strategic objectives.

Good reporting of governance

The annual governance statement is particularly susceptible to repetition of boiler plate disclosures. The most important, interesting and valuable governance information is what the body actually did from a governance standpoint during the year and what changed. Be clear in what the messages are that need to be conveyed, including:

- ▶ Compliance with the CIPFA/SOLACE principles of good governance
- ▶ Key risks and challenges identified at the start and during the year
- ▶ Clear explanation of how these challenges were addressed
- ▶ Clear explanation of failings in governance
- ▶ Changes to governance arrangements made as a result
- ▶ Reports from those charged with governance describing what the board and its committees did in the year and a flavour of outcomes from their review of effectiveness

Conclusion

Good annual reporting should not be seen as a checklist exercise in disclosures. Continued focus should be put on making annual reports more helpful and understandable for stakeholders.



Accounting, auditing and governance

Highly paid off-payroll appointments

What's the issue?

There have been some high profile cases where Government departments engaged individuals who had controlling roles in large public funded organisations but who were not directly employed by the organisation.

As a result of these cases the Treasury requires public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements).

What should your organisation have done about it?

To avoid sanction from HMRC and adverse publicity all public sector bodies are required to:

- ▶ Identify all contracts over £220 per day, which are expected to last for more than six months
- ▶ Ensure those arrangements contain clauses allowing your organisation to request assurance that the individual is paying the right amount of tax
- ▶ Undertake a risk assessment of all off-payroll engagements to determine whether assurance needs to be sought that the individual is paying the right amount of tax and where necessary that assurance has been sought
- ▶ Monitor whether assurance has been provided by each individual and maintain evidence
- ▶ If no assurance has been provided by the individual consider terminating the contract or putting the individual onto the organisation's payroll
- ▶ Comply with the detailed additional disclosures required in your Annual Reports

Local Government Association consultation – sector-led improvement

The Local Government Association (LGA) has issued a consultation on the future of sector-led improvement, with a closing date of 15 March 2015.

Following the abolition of the previous national performance framework, sector-led improvement was introduced, with the LGA taking the role of supporting the sector. It was based on the premise that Authorities are accountable and responsible for their own performance. This shifted the emphasis from national accountability to local accountability, however it also removed the obligation for Authorities to be involved which left external stakeholders unsure about the robustness of the approach.

The LGA are taking stock to identify whether or not the approach is suitable, and whether or not any changes to the approach are necessary. The consultation also gives the opportunity for comment on the inspection of children's services.

All Chief Executives and Leaders should have been sent a unique link to enable them to respond. Others wishing to respond can do so either by filling out the online form or by emailing the LGA.

What makes a successful project in government?

Major government projects often hit the headlines for cost and time over-runs and but there are many examples of projects which are being delivered successfully.

As Authorities are increasingly facing funding pressures and looking for innovative ways to manage their finances, we are sharing some themes from the 2014 Successful Projects in Government conference. The conference was designed by the UK's Major Projects Authority, in cooperation with EY, the Ministry of Defence and the Nuclear Decommissioning Authority to share details of projects that had been delivered successfully due to the



Accounting, auditing and governance

leadership talents and ingenuity of project teams in tackling the challenges that all major projects face.

It brought together senior colleagues from across UK government departments to illustrate that despite the negative picture often painted of project delivery in government, the reality is different.

According to Brian Gorman, UK GPS Advisory Leader, who led the initiative “There is no ‘one size fits all’ solution to project success. The skills and capabilities required for Infrastructure projects can be very different to the skills and capabilities required for service delivery projects. We need to recognise these differences more explicitly in how we conceive, design, plan and resource our projects if we are to deliver maximum value for our investment.”

The 40 case studies and outputs from the event have now been captured in a publication, designed to be a practical tool and network resource for those planning to undertake projects in the future, both in the UK and globally.

To explore these attributes in real situations, the projects showcased have been split into three central themes: **service delivery, transformation and infrastructure**. Each project provided fresh insights and nuances into what it takes to be successful but five common themes emerged across them all:

- ▶ Strong leadership to inspire, challenge and champion
- ▶ Accountability through and across the project
- ▶ Clear line of sight to crisp policy intent
- ▶ Experienced team who know their business and the business
- ▶ Strong stakeholder management

Audit Commission report on data quality

The Audit Commission has produced a report on data quality, entitled *Data quality matters*, which reflects on the past work of the Audit Commission and its appointed auditors in relation to data quality.

The report emphasises the importance of data quality, and notes that it is an essential part of robust governance arrangements for securing value for money; since flawed data can result in ineffective decision making.

The key lessons that the report seeks to draw out are:

- ▶ Governance will be most effective when it involves two-way dialogue with the front line, to communicate the importance of data quality
- ▶ The value of data quality needs to be communicated throughout organisations
- ▶ The front line should be engaged in ensuring data quality
- ▶ Data quality should be assured as close as possible to the point of capture



Regulation news

Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 received Royal Assent on 30 January 2014. This officially makes it possible for the Audit Commission to effectively be wound down on 31 March 2015.

Several of the Audit Commission's key functions will continue after its closure. These are summarised below:

Management of Audit Contracts:

In order to continue with the management of audit contracts the Local Government Association has created an independent company to oversee the audit contracts. This independent organisation will be called Public Sector Audit Appointments Limited.

National Fraud Initiative:

The responsibility for managing, administering and reporting on the National Fraud Initiative (NFI) will pass to the Home Office with effect from 1 April 2015.

Code of Audit Practice:

Responsibility for producing and updating the Code of Audit Practice will pass to the National Audit Office with effect from 1 April 2015.

Section 32 of the Local Audit and Accountability Act 2014 gives the Secretary of State the power to make provision through regulations about the financial management, internal control, and annual accounts and audit procedures applying to relevant authorities. The Accounts and Audit Regulations 2015 were laid before Parliament on 17 February 2015 and reflect the requirements relating to annual published accounts and audit procedures applying to relevant authorities. The 2011 regulations will continue to apply for the completion of 2014/15 audits, with the 2015 regulations coming into effect for financial years beginning on or after 1 April 2015.

As noted in the January briefing, the Act introduces a compression of the audit timetable for Local Government accounts. This will require the publication of accounts, together with their audit opinion by the 31 July of the financial year immediately following the end of the financial year to which the statement relates. The explanatory memorandum accompanying the Act reiterates the Government's decision to defer this change until 2017/18 to allow a reasonable timescale for Local Government bodies and their auditors to adjust.



Regulation news

NAO – draft Code of Audit Practice

The Local Audit and Accountability Act 2014 provides the legislative basis for the new framework for the audit of local public bodies which was announced by the Government in August 2010.

Previously, the Audit Commission was responsible for the preparation and maintenance of a Code of Audit Practice, which sets out the respective responsibilities of audited bodies and auditors; and explains what local auditors should do to meet their statutory responsibilities for the audit of local public bodies. The Local Audit and Accountability Act makes the Comptroller and Auditor General responsible for the preparation and maintenance of the Code of Audit Practice following the closure of the Audit Commission.

The National Audit Office (NAO) sought the public's views on the draft of its first Code in a consultation that ended at the end of October 2014, and published a final draft code in January 2015.

A key difference as compared to the Audit Commission codes, is that the NAO have taken the decision (which was supported by the majority of responses to the consultation) to produce a single code for all bodies within the new arrangements for local public audit.

The NAO have also pointed out that the Code is principles-based, and will be supported by detailed guidance to auditors which they will seek to provide with the aim of facilitating consistency whilst recognising that the same approach will not always be the most appropriate for all audited bodies.

Subject to Parliament's approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015-16 financial year onwards.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

- ▶ How have we satisfied ourselves that we are fully compliant with the HMRC requirements regarding our off-payroll staff members?
- ▶ Have our officers critically evaluated the closedown process to identify areas that could be streamlined or brought forward? Are we aware of the areas of the 2014-15 accounts that will contain a higher risk of error and therefore require closer scrutiny?
- ▶ What have our experiences of sector-led improvement been? Are we satisfied that our electorate are able to hold us accountable, and if not, what can we do to enhance local accountability?
- ▶ What can we learn from successfully implemented major projects and how can we apply them to our own initiatives to maximise our finances to ensure that they are effective?
- ▶ Have we monitored our data quality arrangements and adjusted them in the light of changing risks and priorities?
- ▶ Do our data quality arrangements remain robust and effective?



Find out more

EY Item Club

Read more from the ITEM club at: <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

2015-16 Local Government settlement

Read about the final finance settlement at: <https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2015-to-2016>

The LGA briefing can be accessed at: <http://www.local.gov.uk/documents/10180/5533246/LGA+Briefing+-+Local+Government+Finance+Settlement+2015-16+-+House+of+Commons+-+10+02+15.pdf/bbd1db5b-4363-4582-937e-7b92dcf60e60>

Highly paid off-payroll appointments

For further information see the HMRC guidance at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf

LGA consultation on the future of sector-led improvement

See details of the consultation at the link below: <http://www.local.gov.uk/documents/10180/6869714/L14-551+Where+next+with+sector-led+improvement/99e45118-653f-4749-a9ae-01b83d796cf0>

What makes a successful project in government?

For further details of the case studies presented at the conference, ask a member of your EY engagement team for a copy of the full publication.

Audit Commission report on data quality

Find the report and supporting documents at: <http://www.audit-commission.gov.uk/2015/02/data-quality-matters/>

Local Audit and Accountability Act 2014

The allocation of responsibilities is available at: www.audit-commission.gov.uk/about-us/the-future-of-the-audit-commissions-functions/

The Accounts and Audit Regulations Act 2015 can be found at: <http://www.legislation.gov.uk/ukxi/2015/234/contents/made>

NAO – draft Code of Practice

Read the final draft code in full at: http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2014/09/Final_Draft_Code_of_Audit_Practice.pdf

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Chief
Surveillance
Commissioner

OFFICIAL-SENSITIVE

17th December 2014

Dear Mr. Clark,

RIPA AND UNDER AGE SALES TEST PURCHASING

Thank you for your letter dated 17 November about the Code of Practice on Age Restricted Products issued by the Better Regulation Delivery Office (BRDO) in January 2013.

The inclusion in this Code of an extract from the OSC's 2011 Procedures & Guidance document (Note 262) has presented you with a dilemma, as its incorporation into the BRDO's Code of Practice renders, in your view, the guidance of the Surveillance Commissioners a recommendation with which you must now comply.

Whilst the Code is non-statutory, you have taken the view that your Council ought not to authorise test purchase activities unless "overt methods have been attempted and failed".

I have considered the matter and our updated Procedures & Guidance document, due to be issued by the end of 2014, will contain a slight amendment to what will be, in the updated version, Note 244, as follows:

*When conducting covert test purchase operations at more than one establishment, it is not necessary to construct an authorisation for each premise to be visited but the intelligence must be sufficient to prevent "fishing trips". Premises may be combined within a single authorisation provided that each is identified at the outset. Necessity, proportionality, and collateral intrusion must be carefully addressed in relation to each of the premises. It is unlikely that authorisations will be considered proportionate without demonstration that overt methods have been **considered or attempted and failed**.*

This reflects the definition of proportionality contained within the Home Office Codes of Practice and I hope will provide you some reassurance that such activities, where deemed to be necessary and proportionate on a case by case basis, can be authorised.

I am copying this letter to the BRDO so that they might update their Code if they feel it appropriate.

*Yours sincerely,
Christopher Roe*

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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2015

2015

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
Review of Effectiveness of Internal Audit (Peter Clark)

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

Standing Items:

- Audit Working Group Reports
(Ian Dyson)
- Audit & Governance Committee Work Programme – update/review
(Committee Officer/Chairman/relevant officers)
- Future of Adult Social Care in Oxfordshire – Regular Progress update on
Implementation Plan (**Quarterly**)

Other matters

Risk Management Strategy (same as Annual Report?)

Risk Management Annual Report (Ian Dyson)

Appeals & Tribunals sub-Committee – details of recommendations resulting from appeals to the Home to School Transport Appeals, and Pension Benefits sub-Committee at which issues of dismissal and redundancy were decided,

Partnerships – Progress Report

Corporate Leads – remaining

NFI Audit Committee Checklist (Ian Dyson)