



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

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

Wednesday, 10 June 2015 at 2.00 pm in Room 2

County Hall, Oxford, OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

June 2015

Contact Officers: *Deborah Miller, Tel: (01865) 815384; E-Mail:*
deborah.miller@oxfordshire.gov.uk
Tim Peart, Tel: (01865) 323569; E-Mail:
timothy.peart@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Sandy Lovatt

Councillors

David Bartholomew
Yvonne Constance OBE
Tim Hallchurch MBE

Jenny Hannaby
Nick Hards
Roz Smith

John Tanner

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 8 July 2015***

There will be a private session with the Chief Internal Auditor for all members of the Audit & Governance Committee at 1.15 pm in Room 2.

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

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

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

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declaration of Interests - see guidance note

3. Minutes (Pages 1 - 10)

To approve the minutes of the meeting held on 22 April 2015 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

5. Corporate Leads Presentation

2:10

There are eleven 'Corporate Leads' that provide assurance on an issue for governance purposes. The Audit & Governance Committee has asked to be given presentations from each Corporate Lead during the year so that they can better understand each area, particularly focusing on the assurance process:

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

The Committee will receive the remaining Corporate Leads presentations, as set out in the box below:

The Chairman has requested that the remaining Corporate Leads presentations, in the box below, go to this Committee meeting.

Performance Management	Maggie Scott	-
Procurement	Lorna Baxter	Graham Collins
Project and Programme Management	Alexandra Bailey	-
Legislation	Peter Clark	

6. Update on Hampshire Partnership

3:10

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 and advise on arrangements for ensuring the wider Council is ready for the forthcoming changes.

The Committee is RECOMMENDED to receive the presentation.

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

3.30

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

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

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

The Committee is RECOMMENDED to receive the presentation.

8. Review of Effectiveness of Internal Audit (Pages 11 - 20)

3:50

Report by the Monitoring Officer (**AG9**).

This report provides a commentary on the effectiveness of Internal Audit in 2014/15, and will be used as a source of evidence for the Annual Governance Statement.

The Committee is RECOMMENDED to:

- (a) note the report;***
- (b) commission the Monitoring Officer to undertake an annual survey at the end of 2015/16;***
- (c) determine whether to:***
 - (i) cease undertaking an annual review; or***
 - (ii) continue with an annual review; and/or***
 - (iii) continue with an annual survey of senior officers.***

CLOSE OF MEETING

4:10

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Thursday 4 June at 10.00 am in Room 1** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

This page is intentionally left blank

Agenda Item 3

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 22 April 2015 commencing at 2.00 pm and finishing at 5.10 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair
Councillor Sandy Lovatt (Deputy Chairman)
Councillor Jamila Azad
Councillor David Bartholomew
Councillor Yvonne Constance OBE
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Councillor Ian Hudspeth (In place of Councillor Tim Hallchurch MBE)

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 and Deborah Miller (Chief Executive's Office).

Part of meeting

Agenda Item Officer Attending

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

18/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology From	Substitute
Councillor Tim Hallchurch	Councillor Ian Hudspeth

19/15 MINUTES

(Agenda No. 3)

The Minutes of the Meeting held on 25 February 2015 were approved and signed subject to the following amendment:

Minute 10/14 (Minutes)

Add to the end of the second paragraph..."Councillor Bartholomew thanked Mr Watson for his response but felt that it did not deal with the substantive point."

Matters Arising

Minute 13/14 (Council Request to look at Demographics of Council)

Councillor Bartholomew queried whether the County Solicitor & Monitoring Officer had written to all members to seek volunteers for a cross party working group. In response, Mr Watson confirmed that the County Solicitor & Monitoring Officer had not yet written to all members but that it was scheduled to happen in the next couple of weeks.

Minute 17/14 (Urgent Business – Chief Executive & Head of Paid Service – Next Steps)

The Committee noted that in the event their resolution in relation to this matter was superseded by the Decision at Full Council to rescind the decision of removal of the post of Chief Executive and that at present there was no further action.

The Committee further noted that the issue had not gone before the Committee prior to a decision being taken at Full Council and that it was within the remit of the Committee to have an overview of the governance arrangements of the Council.

RESOLVED: to ask the County Solicitor and Monitoring Officer to ensure that any future decisions on this matter come before the Audit & Governance Committee prior to any decision being taken at Full Council.

20/15 Q4 PROGRESS REPORT 2014/15 AND INTERIM INTERNAL AUDIT STRATEGY 2015-16

(Agenda No. 5)

Ian Dyson, Chief Internal Auditor, presented the Internal Audit progress report for 2014/15 and the Interim Internal Audit Strategy for the first quarter of 2015/16 to the Committee. He advised the Committee that it was an interim strategy as the structure of the finance team, including the role of internal audit and risk management functions, was currently under review.

Councillor Bartholomew asked Mr Dyson whether he had confidence in the decision to remove contracts and procurement from the Audit Plan. Mr Dyson responded that the removal of contracts from the Plan was resources led and that, were the

resources available, he would expect contracts and procurement to be part of the Plan. Mr Dyson explained that, due to the large numbers of contracts in place, the focus from an audit point of view had shifted to looking at the structures in place around how the Council enters into contracts.

With regards to paragraph 13, Page 12, Councillor Smith queried how the high number of returns from the National Fraud Initiative (NFI) that were recommended to be looked at would be prioritised and how the Council compared to other County Councils.

Mr Dyson stated that the NFI work was not carried out by the Council but that the team sought to identify individuals from within the organisation from the returned matches. He also explained that a large number of the returns related to issues within residential care which could be put down to timing. Councillor Hannaby expressed her concern that if, for example, a patient was taken from residential care to hospital and the Council was not informed, that contracts were still paid.

Mr Dyson stated that he did not know how OCC compared to similar authorities, but would seek information on how the Council compared to Buckinghamshire County Council. Mr Witty explained that, in the past, the Audit Commission report on fraud initiative would provide comparative information and that he was hopeful that the Home Office would do the same.

Councillor Smith suggested that the proposed performance indicator for the percentage of management actions implemented (Annex 3, Page 35) be increased to 100% rather than 90%

Mr Dyson stated that 90% was a good standard but agreed that it would be a good idea for the proposed performance indicator to be put at 100%.

Members declared that they would note the Interim Internal Audit Strategy, rather than approve it, as it appeared as more of a review.

RESOLVED: to

- (a) note the progress with the 14/15 Audit Plan and the outcome of the completed audits;
- (b) note the Interim Internal Audit Strategy for 2015/16 and the Q1 Plan;
- (c) note the changes made to the proposed performance indicators 2015/16; i.e. to have a target of 100% of all management actions implemented, rather than 90%.

21/15 SCALE OF ELECTION FEES AND EXPENDITURE 2015/16

(Agenda No. 6)

The Committee considered the report which identified the need for the Council to set a scale of election fees and expenditure for the holding of any by-elections of County Councillors that may be called during 2015/16.

Glenn Watson, Principal Governance Officer, explained that a review had been undertaken last year and, following consultation with the District Councils, the figures suggested in the report have remained the same.

RESOLVED: 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.

22/15 AUDIT & GOVERNANCE ANNUAL REPORT TO COUNCIL

(Agenda No. 7)

The Committee had before them the Chairman's Annual Report of the Audit & Governance Committee (AG7) which was to be presented to Council in May.

In introducing the report, Councillor Wilmshurst thanked Mr Dyson for his work on the Committee and working group over the last 12 months.

RESOLVED: to forward the report to Full Council for consideration.

23/15 ANNUAL GOVERNANCE STATEMENT - ACTIONS

(Agenda No. 8)

The Committee considered a report (AG8) which set out details of the Council's governance arrangements following the Committee's agreement of the Council's Annual Governance Statement (AGS) for 2013/14 in July 2014.

The AGS listed 6 'Actions' that were planned to improve governance, for implementation in 2014/15. The report considered whether the 6 Actions have been completed or whether more work will be needed on them in 2015/16.

With regards to Business Continuity, Councillor Bartholomew enquired whether lessons had been learned from the fire at the offices of South Oxfordshire District Council.

David Illingworth, Senior Financial Advisor, stated that he had been asked to look at the issue, that there had been communication between the authorities, and agreed that it was a good opportunity for a real life case study.

Dr Jones pointed out that certain areas of work within the 'Actions' would be on going and by their nature could never signed off. Mr Illingworth accepted the point that work would be on going.

With regard to the externalisation of Human Resources and Finance Services in Annex 2, Page 67, Councillor Smith expressed concern that OCC staff were unable to relocate to Hampshire and as a result the services would be losing local knowledge. She also questioned which services and functions would remain 'Retained Services' (Page 68) and who would undertake delivery of them.

Mrs Baxter explained that the delivery of retained services would be subject to the externalisation board's decision. Mr Dyson added that regular updates would be given to the Committee.

Mrs Baxter also stated that, according to the staff consultation, staff were not unable to relocate to Hampshire, but that many had chosen not to do so. Mr Dyson added that much of work was based around processing skills which would not require much training for new staff.

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

24/15 FUTURE OF ADULT SOCIAL CARE IN OXFORDSHIRE - REGULAR PROGRESS UPDATE ON IMPLEMENTATION PLAN

(Agenda No. 9)

Kate Terroni, Deputy Director Joint Commissioning, and Martyn Ward, Service Manager ICT Business Delivery, gave a presentation to update the Committee on 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 heard that the projects were entering their final stages and were currently in the data quality testing phase.

Mr Ward told the Committee that time and resources were being put into data migration with a focus on achieving as close to 100% of data matches as possible. He explained that this was a vital and complex task and that to press ahead with the planned go-live date of 1 June 2015 would present a significant risk with poor quality data matches.

Mrs Baxter explained that it was the multitude of resources from which financial data had been pulled which had caused the difficulties regarding data matches. She added that, for billing and payment reasons, it was essential to achieve data matches as close to 100% as possible.

Mr Ward went on to explain that the training support side of the project was also taking more time than was originally forecast and that this was also an area which meant that planned go-live date was going to be unachievable.

Mrs Terroni explained that the decision had been taken, with the agreement of CCMT, to postpone the go-live date and that a new date was yet to be set.

A number of Members agreed that postponing the go-live date was the right thing to do and accepted that the original go-live date of 1 June 2015 was optimistic.

Mrs Terroni stated that there would be no impact in postponing the go-live date for service users and that staff would continue to work with the existing systems that were in place.

Councillor Smith and Dr Jones questioned what the potential costs of postponing the go-live date would be.

Mrs Terroni explained that it would depend on the new date but added that the funds for the project were coming from a Better Care Fund Capital Grant and nowhere else. She stated that she would come back to the Committee with a timeframe and a figure.

Mrs Baxter added that missing the original go-live date was an opportunity lost. In the meantime, the Council would continue with the existing systems and not reap the benefits of the new system as quickly as otherwise. However, she explained that the risks of getting it wrong outweighed the potential costs of postponing the project.

Dr Jones expressed his disappointment that the problems that are holding the project back had not been foreseen.

Councillor Lovatt stated that there may never be complete data matches and that there are always crossover problems when new software programmes are implemented. With that in mind, he asked how irregularities and errors would be highlighted once the system is up and running.

Mr Ward explained that the Council was fortunate to be able to learn the lessons of other organisations who have implemented the project and that testing scripts had been made available to enable the Council to pre-empt a lot of problems, but agreed that the knowledge within the ICT department would be important going forward.

RESOLVED: to note the presentation and request a further update at its next meeting.

25/15 UPDATE ON HAMPSHIRE PARTNERSHIP

(Agenda No. 10)

Hilary Cameron, Finance Lead Transforming OCS Project, and John McKenna, Oxfordshire Customer Services, gave a presentation to 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 set out the progress to date, requirements of User Acceptance Testing and advise on arrangements for ensuring the wider Council is ready for the forthcoming changes.

Mr McKenna explained that the project was in its third of five phases, which was the testing phase. He explained that the project was progressing according to plan and that testing, using staff from across the Council, was due to finish at the end of May. He went on to explain how managers and staff were to be trained and that there 13 training events planned across the County, including four 'mega events'.

Councillor Bartholomew questioned why some managers perceived that they were losing control over their budgets.

Mrs Baxter explained that under the new system anyone could make purchases and charge them to any cost centre. She explained that it was down to managers to monitor and scrutinise what had been charged to their cost centre, rather than having the responsibility of approving purchases. She added training would be vital to ensure that managers know what they have to do.

Councillor Hannaby enquired which schools were opting out of the service to which Mrs Baxter explained that all maintained schools would be using the service, but that academies were tending to opt out as the partnership was requiring a 5 year sign up.

Councillor Hards enquired how cost centre charges would be monitored or approved if the cost centre manager was, for example, on sick leave.

Mrs Cameron explained that a system of substitution would be in place, as there currently is, and that there was a natural escalation within HR. She also added that, with the new system, cost centre authorisation would be easier to do from home.

Dr Jones enquired as to whether there would be any provision for varying the agreement once it starts to run.

Mrs Baxter answered that there was a 13 month withdrawal period included in the agreement but that a consultation process would be needed should the Council wish to not continue with the supplier.

RESOLVED: the Committee received the presentation.

26/15 ERNST & YOUNG EXTERNAL AUDITORS - ANNUAL FEE LETTER 2015-16

(Agenda No. 11)

The Committee considered the Annual Fee letter (AG11) which set out the annual fee for the audit and certification work that Ernst & Young propose to undertake for the 2015-16 financial year.

The Committee heard that the fee had been set by the Audit Commission prior to its closure and that the fee had not changed.

A member queried the amount of £33,000 on Page 72 and heard that that was the fee for work that Ernst & Young had been commissioned to carry out in regards to the potential financial benefits that could be had if Oxfordshire moved towards having a Unitary Authority.

The Committee was assured that the work undertaken would not impinge on Ernst & Young's impartiality as the Council's external auditor and that Ernst & Young were commissioned on the basis of their understanding of the Council and since they had completed similar work for other authorities. The Committee also heard that the work was not put out to tender and there was no necessity to do so as it was below the required threshold.

RESOLVED: to note the report.

27/15 ERNST & YOUNG EXTERNAL AUDITORS - AUDIT PLAN 2014-15

(Agenda No. 12)

The Committee considered the Audit Plan 2014-15 (AG12), which set out how Ernst & Young intended to carry out their responsibilities as Oxfordshire County Council's Auditor.

Noting that the partnership with Hampshire County Council had been flagged as a significant risk on Page 83, Councillor Hards queried whether Oxfordshire County Council could be at risk should the strategic board of the IBC make changes to the systems being put in place and whether the strategic board could make changes without the agreement of OCC.

Lorna Baxter, Chief Finance Officer, explained that the Strategic Partners of the IBC would pick up the cost of making any such changes and that, as an Operational Partner, the Legal Department at the Council are working with the other partners to ensure that the Council has sufficient authority and power within the partnership.

Councillor Bartholomew queried why the decision making around the Chief Executive role was within the remit of Ernst & Young.

Maria Grindley, Ernst & Young, stated that, while Ernst & Young could not step into the decision making process, the decision on the structure of the Council was in the public domain and that Ernst & Young had to form a judgement from an Audit point of view to consider how the decision impacts on value for money.

A Member questioned whether the two significant risks identified on Page 81 were significant risks particular to the Council, or generic risks following a standard from the accounting profession.

Maria Grindley responded that the Council was required to get assurance on the items and that, even were they not required to, she would still consider the items as significant risks due to the pressures that public bodies are under.

Responding to questions of how the Auditors approach the issue of the risk of management override (Page 81), Maria Grindley explained that financial statements are fed into test systems and that analytical tools pull out one-off items and anything that looks out of sync to give a clear picture of where there might be spikes which could indicate incidents of fraud.

RESOLVED: to note the report.

28/15 ERNST & YOUNG EXTERNAL AUDITORS - SECTOR BRIEFING

(Agenda No. 13)

Alan Witty, Ernst & Young, took the Committee through the report (AG13) which covered issues that could have an impact on Oxfordshire County Council, the Local Government sector and the Audits that Ernst & Young undertake.

RESOLVED: to note the report.

29/15 RESPONSE FROM THE OFFICE OF SURVEILLANCE COMMISSIONERS ON THE USE OF THE RIPA AND UNDER AGE TEST PURCHASING

(Agenda No. 14)

The Committee noted and welcomed the response (AG14) received from The Office of Surveillance Commissioners, who, following advice from the Committee, had taken into account the Committees concerns and have amended their procedures and guidance to be less restrictive in the requirements regarding RIPA and under age sales test purchasing.

RESOLVED: to note the report.

30/15 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

(Agenda No. 15)

The Committee considered its Work Programme (AG15).

RESOLVED: to hold an additional meeting of the Committee on 10 June at 14:00 and to bring forward a number of items from the 1 July 2015 work programme in order to reduce the number of items on that programme.

31/15 DATE OF NEXT MEETING

(Agenda No. 16)

In order that Members could receive the completed draft statement of accounts it was 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 was also minded to hold an additional Committee meeting on June 10th and members' views are requested.

RESOLVED:

- (a) to hold an additional meeting of the Committee on 10 June 2015 at 14:00 in order to bring forward a number of items from the 1 July 2015 work programme;
- (b) to ask officers to consult on a new date for the 1 July 2015 meeting.

32/15 URGENT BUSINESS - SCRUTINY ANNUAL REPORT

(Agenda No. 17)

Maggie Scott, Head of Policy, presented the report which introduced the draft Scrutiny Annual Report for consideration. She stated that the report was in the names of the Chairs of Scrutiny Committees and had been drafted in partnership between Chairmen and Scrutiny Officers and reviewed by the County Council Management Team.

A member queried how the Cabinet Advisory Groups (CAG) were constituted. Ms Scott explained that they are constituted at the request of Cabinet. She also explained that, unless there was no requirement to be so, CAG's were politically representative, and that others were politically balanced and chaired by a Cabinet member.

The Committee welcomed the report, noting that it was far more detailed and representative than in past years.

RESOLVED: to note the Scrutiny Annual Report for presentation to Full Council.

..... in the Chair

Date of signing 200

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 10 JUNE 2015

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2014/15

Report by the Monitoring Officer

INTRODUCTION

1. The Audit & Governance Committee requested that the Monitoring Officer undertake a review of the effectiveness of Internal Audit. The annual review is a requirement under the Accounts and Audit (England) Regulations 2011.
2. The Accounts and Audit Regulations have been updated effective from 1 April 2015. There is no longer a statutory requirement for an annual review of the effectiveness of Internal Audit, from 2015/16. The Committee will need to determine whether to cease undertaking this review, to continue with an annual review or to consider simply continuing with the annual survey element?
3. This report outlines the methodology used for the review, and the overall findings and conclusions.

METHODOLOGY

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

FINDINGS

5. In 2014/15 the Internal Audit management team remained unchanged. The CIA and Audit Manager shared their time between Oxfordshire County Council, Buckinghamshire County Council and Thames Valley Police.
6. As reported last year the CIA also has management responsibility for Risk Management and for the Insurance Service. There have been no instances in 2014/15 where the potential conflict of interest has occurred. This is closely monitored by the Chief Finance Officer, and the both Audit Managers are clear on the procedure and reporting arrangements should such a conflict occur.

7. The annual survey results are demonstrating that the Internal Audit Team is maintaining good engagement with its clients, both at an operational level and at a Senior Management / Member level. The CIA has the support of the Directors to discharge his responsibilities; and the Audit Managers regularly attend Directorate Leadership Teams, including the Chief Executives Leadership Team, and meet with senior managers to understand emerging issues. The CIA also attends CCMT once a quarter to discuss the quarterly business management reports; and, once a month attends the quarterly CCMT Directorate focussed performance reviews.
8. The Monitoring Officer, S151 Officer and the CIA continue to work closely on governance matters. The CIA is a member of the Corporate Governance Assurance Group. Maintaining these relationships is essential to ensure that the work of Internal Audit remains focussed on the key risks, and that assurance is being targeted as required.
9. In 2013/14 there was an increase in the level of fraud related activity undertaken by Internal Audit, including proactive fraud work through staff briefing and awareness workshops, but also investigation of reported fraud and financial irregularity. For one investigation there was a conflict of interest reported for both the CIA and a Senior Auditor in the team. This was well managed with the Audit Manager taking the lead role, reporting directly to the S151 Officer and the Monitoring Officer.
10. Delivery of the Internal Audit Plan and overall capacity has been a significant issue in 2014/15. Capacity has been impacted for a number of reasons including performance; sickness, and unplanned fraud response work. In addition more time was required on key audits where the control environment was not as expected. The additional time taken has been required for additional testing, and for consultancy advice and support, necessary to ensure the process is adding value. There is effective management over the quality and performance of the Internal Audit Service; however the increasing demand on the reactive nature of the work has impacted on the ability to deliver on the planned activity. This will need to be addressed as it can impact on the level of independent assurance on the system of internal control provided to the Audit & Governance Committee.
11. Capacity has also impacted on implementing change. Last year it was reported that a series of establishment based "financial management" audits was to be facilitated by Internal Audit in conjunction with the Finance Business Partners; this was not undertaken.
12. In December 2014, the first tranche of funding was received from the DCLG to support "fighting fraud". The grant has been awarded to develop the proactive and reactive counter-fraud work, including collaboration with the Oxford City Investigation Team. Progress on this has been slow, and need to be given a priority in Q2, 2015/16.
13. The outsourcing of IT Audit continues to operate well; and, the outsourcing of the key financial systems audits has also been successful. The latter has

been delivered by Hampshire County Council, and the CIA reports that the arrangement to provide on-going resource is likely to continue during 2015/16.

Compliance with CIPFA Code of Practice

14. The Chief Internal Auditor reported no change to the systems and processes adopted by the internal audit team in 2014/15; therefore whilst overall there is general compliance with the Public Sector Internal Audit Standards, the three areas of non-conformance reported last year remain unchanged. The first point is an accepted position that is being managed appropriately; however the other two areas are matters that can be addressed and need to be actioned:
- The Chief Auditor has operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed where audit activity is undertaken in areas where the CIA has operational responsibility as the Audit Manager reports directly to the Chief Finance Officer (S151 Officer);
 - An Internal Audit Charter is to be drafted and presented to the Audit and Governance Committee; and,
 - A Quality Assurance and Improvement Programme is being drafted and will be presented to the Audit and Governance Committee with the Internal Audit Charter

Reports to the Audit Committee

15. Progress reports are produced quarterly for the Audit & Governance Committee, and include executive summaries of all completed audits in the quarter. There is also a restricted area on the Council's Intranet where members of the committee have access to the full internal audit report, including the management action plans.
16. The CIA reports on emerging issues to the AWG, and on the implementation of management actions. The "emerging issues" has included audits not yet completed but where significant issues have been identified and agreed with officers.
17. The CIA also takes an annual report to the Audit and Governance Committee.
18. The reports from the CIA are well received and Members are generally satisfied with the levels of information they are receiving.
19. Whilst all reports to the Committee were in the name of the Chief Finance Officer, they are presented by the CIA. To protect the independence of the CIA, a protocol has been approved that makes it clear he has direct access to the Chairman of the Audit Committee should he consider it necessary. This independence is further reinforced through the CIA meeting in private session annually with the members of the Audit and Governance Committee.

Annual Survey

20. Questionnaires were sent to the County Council's extended senior management team. This resulted in responses 26 responses (compared to 24 last year).
21. A full analysis of the results is attached as an **Annex 1** to this report. The first part of the survey asked a series of questions to which respondents were invited to provide a rating in answer (from strongly agree through neutral to strongly disagree).

Headlines

Overall the results are very favourable. Three core questions demonstrated a strong level of satisfaction about the nature and effectiveness of the service albeit that the positive results were slightly down on the previous year:

- **81%** of respondents agreed or strongly agreed that the Service was **proactive in giving adequate information** about its role/purpose (92% last year).
 - **77%** agreed or strongly agreed that the Service was **independent** (71% last year).
 - **77%** agreed or strongly agreed that the Service **consulted on key risks or critical systems** in their area (83% last year).
 - **73%** agreed or strongly agreed that the Service was effective in delivering **improvements to the control environment**. (75% last year).
22. The survey then asked three open questions of participants: specify things they would like Internal Audit to start doing, stop doing and continue doing. The results of these are set out in full in the Annex. There appears to be no significant or consistent issues of concern raised.
 23. The survey reflects the importance and value that managers put on existing levels of engagement with officers in Internal Audit. This appears to demonstrate that the wish, last year, for more engagement has been positively met. Indeed, some individual comments continue to seek a more integrated engagement with Officers of Internal Audit.
 24. There continues to be no issue whatsoever questioning the integrity or capability of any of the Officers of Internal Audit; the comments continue to reflect that the Service is well-regarded. The counterpart is the encouraging support for the view that the service is also regarded as independent.
 25. There is a slight dip in respondents agreeing that the Service is 'proactive in giving information about its purpose'; this differs from last year only in that two fewer people 'strongly agreed' with this; while two more people 'disagreed' with this.

CONCLUSION

26. The Internal Audit Service continues to be effective; however capacity to meet the planned and reactive work needs attention. The CIA reports he is looking at the structure and the current approach to internal audit planning and assurance to try and address the capacity issue.

RECOMMENDATIONS

27. **The Committee is RECOMMENDED to:**
- (a) note the report;**
 - (b) commission the Monitoring Officer to undertake an annual survey at the end of 2015/16;**
 - (c) determine whether to:**
 - (i) cease undertaking an annual review; or**
 - (ii) continue with an annual review; and/or**
 - (iii) continue with an annual survey of senior officers.**

PETER CLARK

Monitoring Officer and Head of Law & Governance

Contact Officer: Peter Clark

June 2015

Review of the Effectiveness of Internal Audit 2014/15

26 responses were received to the **survey**. This summary shows answers to the 'ratings' questions and also to the 'comment' questions (e.g. things Internal Audit should START, STOP and CONTINUE).

Summary of Results

Detailed breakdown for **'I've been given adequate information about the role and purpose of Internal Audit.'**

Option	Results	Count
Strongly Agree	31%	(8)
Agree	50%	(13)
Neutral	8%	(2)
Disagree	12%	(3)
Strongly Disagree	0%	(0)

Detailed breakdown for **'I am consulted by Internal Audit on the key risks and critical systems in my area.'**

Option	Results	Count
Strongly Agree	19%	(5)
Agree	58%	(15)
Neutral	15%	(4)
Disagree	4%	(1)
Strongly Disagree	4%	(1)

Detailed breakdown for **'I am satisfied that Internal Audit is independent.'**

Option	Results	Count
Strongly Agree	23%	(6)
Agree	54%	(14)
Neutral	23%	(6)
Disagree	0%	(0)
Strongly Disagree	0%	(0)

Detailed breakdown for **'I am given an opportunity to comment on Internal Audit's work plans.'**

Option	Results	Count
Strongly Agree	27%	(7)
Agree	38%	(10)
Neutral	15%	(4)
Disagree	19%	(5)
Strongly Disagree	0%	(0)

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

Option	Results	Count
Strongly Agree		24%(6)
Agree		40%(10)
Neutral		24%(6)
Disagree		4% (1)
Strongly Disagree		8% (2)

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

Option	Results	Count
Strongly Agree		24% (6)
Agree		36% (9)
Neutral		28% (7)
Disagree		8% (2)
Strongly Disagree		4% (1)

Detailed breakdown for **'Internal Audit reports are timely, practical and support managers in the management of their key risks.'**

Option	Results	Count
Strongly Agree		23% (6)
Agree		35% (9)
Neutral		31% (8)
Disagree		12% (3)
Strongly Disagree		0% (0)

Detailed breakdown for **'Internal Audit is effective in delivering improvements to the control environment.'**

Option	Results	Count
Strongly Agree		23% (6)
Agree		50% (13)
Neutral		19% (5)
Disagree		8% (2)
Strongly Disagree		0% (0)

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

- I was recently called into a two hour meeting with internal audit. I would like internal audit to start using manager-friendly ICT tools, and to start empowering managers to self-evaluate on the risk to the organisation, rather than the operation of a top-down and inefficient process.
- Nothing - they are doing an excellent job
- Take the availability of resource into account.
- Need to involve clinicians in the audits.
- I cannot add anything.
- I would welcome a dialogue about the work planning and where our concerns/priorities fit into the programme.
- An annual report of key finding from all internal audits in any directorate in one year - so can learn from others.
- Circulate audit work plans more widely.
- Shift more resource into pro-active engagement with change/transformation work rather beforehand than after implementation.
- If Internal Audit had more capacity it would be useful for more service areas in the directorate to be checked, in order to help identify any areas where we may need to improve financial management procedures.
- To review the IBC procurement process once it's in place.

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

- Nothing - it is a really important process for accountability and to manage risk to the council.
- Nothing - see above.
- Imposing non-negotiated deadlines.
- I cannot add anything.
- Ideally bringing in people from outside to do the audits as teams get confused and it dilutes the sense of 'our' internal audit team.
- None.

- Asking us what our risks are, and then telling us those things are risks without adding value on how they could be improved.

Please list the things that you would like Internal Audit to CONTINUE doing:

- Spot-checking as well as annual formal auditing with managers.
- An excellent job.
- Need the objective view and the questioning of understandings.
- Appreciate the approach taken particularly from Neil.
- To be available for advice outside the cycle of audit process as a useful check for our developing and improving practice.
- Visits to team meetings.
- Very limited experience with Audit so far, but experience to date has been positive.
- Good engagement from the start to the end of the process. Providing a balanced view of their findings.
- Internal Audit work very effectively with colleagues to identify areas, based on risk assessment, where reviews should be focused, and then follow up with practical constructive audit reports identifying appropriate management actions required. That constructive approach, while delivering an independent view and asking sometimes difficult questions, is particularly helpful.
- To carry on providing help and support in areas identified for improvement.
- Essential that they continue to ensure key financial systems and those which cut across directorates are maintained.

END

This page is intentionally left blank