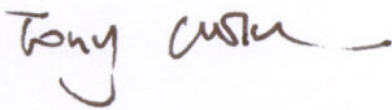


To: Members of the Audit Committee

Notice of a Meeting of the Audit Committee

Wednesday, 3 March 2010 at 11.00 am

County Hall



Tony Cloke
Assistant Head of Legal & Democratic Services

February 2010

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

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Ray Jelf

Councillors

Alan Armitage
Roy Darke
Tim Hallchurch MBE

A.M. Lovatt
Charles Mathew
Larry Sanders

Lawrie Stratford

Co-optee

Dr Geoff Jones

Notes:

- ***Informal pre-meeting development session for all councillors and the Chairman of the Audit Working Group at 10am (until 10:50am) in Committee Room 1 on Partnership Governance & Delivery***
- ***The Leader of the Council has a standing invitation to attend and speak on agenda items within his current portfolio***
- ***The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items***
- ***Date of next meeting: 21 April 2010***

Declarations of Interest

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

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

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

When and what to declare ...

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

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

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

"Prejudicial" interests ...

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

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

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

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes** (Pages 1 - 6)

To approve the minutes of the meeting held on 20 January 2010 (**AU3**) and to receive for information any matters arising from them.

4. **Petitions and Public Address**
5. **Report of the Audit Working Group - 3 February 2010** (Pages 7 - 12)

11:10

Contact: Ian Dyson, Assistant Head of Finance (Audit)

The report (**AU5**) summarises the matters arising from the most recent meeting of the Audit Working Group (AWG).

The Committee is RECOMMENDED to

- (a) ***note the report;***
- (b) ***approve the AWG terms of reference; and***
- (c) ***approve the AWG work plan 2010/11.***

6. **Audit Committee Annual Report 2009** (Pages 13 - 28)

11:30

On 29 November 2006 the Committee adopted a process for preparing the report to Council in respect of the Committee's performance on the implementation of its Work Programme, as follows: 'The Chairman & Deputy Chairman in consultation with the Assistant Head of Finance (Audit) to draft the report for comment by the Opposition Group Spokesman and the Chairman of the Audit Working Group and submission to the Committee.'

The Committee is invited to comment on the draft report and advise on any changes to be made prior to its submission to Council.

The Committee is **RECOMMENDED** to endorse the Annual Report to Council 2009 (AU7).

7. Internal Audit Services-Internal Audit Strategy and Annual Plan 2010/11 (Pages 29 - 64)

11:50

Contact: *Ian Dyson, Assistant Head of Finance (Audit)*

The Internal Audit Services Strategy & Annual Plan 2010/11 (AU7).

The Committee is RECOMMENDED to consider and approve the Annual Plan 2010/11.

8. CIPFA Guidance and Scrutiny (Pages 65 - 70)

12:20

Contact: *Tracy Luck, Head of Strategy*

Report by Head of Strategy (AU8).

The report sets out to present the current scrutiny structure, how the work programme of scrutiny committees is decided and arrangements to ensure the CIPFA guidance is met.

The Committee is RECOMMENDED to consider and receive the report.

9. Work Programme Update/Review 2010/11 (Pages 71 - 72)

12:40

To update/review the Committee's Work Programme (AU9).

12:50 Close of meeting

(Members of the Audit Working Group are reminded that the Group will meet following the conclusion of the Committee)

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Thursday 25 February 2010 at 2pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

Audit Committee

Explanation of Abbreviations and Acronyms

The following is a list of abbreviations and acronyms that have occurred in reports to the Audit Committee, or during discussions at their meetings. It is not intended to be an exhaustive list of those used throughout the Council, however it will be reviewed prior each Audit Committee Meeting and updated should new examples occur.

AC	Audit Committee: Public Committee of Oxfordshire County Council whose purpose is to provide independent assurance on the adequacy of the Councils internal control framework, including risk management, and to oversee the financial reporting process
AES	Annual Efficiency Savings
ASB	Accounting Standards Board: UK body that sets accounting standards. A subsidiary body of the Financial Reporting Council.
AGS	Annual Governance Statement: Previously referred to as the SIC , the Annual Governance Statement is published annually by the Council with its Statement of Accounts
APA	Annual Performance Assessment. Managed by Ofsted, the APA focuses on the contribution that a council's services have made in the previous year towards improving outcomes for children and young people.
AWG	Audit Working Group: An informal Member / Officer working group of the Audit Committee enable the Committee to fulfil its responsibilities effectively and to receive private briefings on any matters of concern.
BCP	Business Continuity Plan: The Council plan for managing the impact of an emergency
BCSG	Business Continuity Strategic Group: Officer based group chaired by the Monitoring Officer, tasked with providing assurance that Government Standards for business continuity management are being met.

BVACOP	Best Value Accounting Code of Practice. This code is produced by CIPFA and is recognised as the 'proper practices' required under the Local Government Act 2003. The Code provides practical guidance on all formal financial disclosures required in relation to Best Value.
BVPI	Best Value Performance Indicator: A national measure of performance, set by central government
BVPP	Best Value Performance Plan: An annual report produced by local authorities detailing current performance levels, actions of the councils, and future performance standards expected
CAA	Comprehensive Area Assessment. This comes into effect in 2008/09 and replaces the CPA as the Audit Commissions process for reviewing the effectiveness of outcomes to local people across public sector bodies
CAAL	Comprehensive Area Assessment Lead. This person works for the Audit Commission and is the primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
CCMT	County Council Management Team: Comprises of the Chief Executive, Assistant Chief Executive and all the Directors of Services
CGAG	Corporate Governance Assurance Group. Previously known as the SWG , An officer group tasked with compiling the AGS , including the development and promotion of the internal control framework, and the collation of evidence to support the Annual Governance Statement.
CGWG	Corporate Governance Working Group. This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these. It also has responsibility for reviewing the Local

	Code of Corporate Governance and to hold Officers to account.
CIPFA	Chartered Institute of Public Finance & Accounting: CIPFA has responsibility for setting accounting standards and providing professional guidance for local government.
Connexions	The Connexions Service came under the control of the County Council from April 2007; it provides information, advice and guidance for young people aged 13-19.
CPA	Comprehensive Performance Assessment: The method by which the Audit Commission assess, measure and compare the performance of Local Authorities.
CSCI	Commission for Social Care Inspectorate.
CYPF	Directorate for Children, Young People & Families
DCSF	Department for Children, Schools & Families
DSG	Dedicated Schools Grant
DoT	Direction of Travel
E & E	Directorate for Environment & Economy
ETMS	Electronic Time Management System: System used for home support activity.
FMIP	Financial Management Implementation Plan: The Financial Management Implementation Plan (FMIP) is a set of actions designed to improve financial management within Oxfordshire County Council, arising from the report by Robson Rhodes in 2004. An updated plan FMIP2 has been prepared following a follow up review by Robson Rhodes in 2005/06.
FMSiS	Financial Management Standard in Schools
FOI	Freedom of Information

FRS	Financial Reporting Standards. These are set by the Accounting Standards Board (ASB), and the Council is required to comply with these.
FSM6	The financial management system used in schools. (Please note that between April 2008 and July 2009, all schools will be moving to SAP as their financial management system.
FWT	Food With Thought. A traded service run by the Council, providing catering services to schools and council establishments.
ICC	Internal Control Checklist
IFRS	International Financial Reporting Standards. This will be the new standard of accounting practice that all Local Authorities will be required to comply with. The estimated implementation date for Local Authority compliance is currently 2010/11.
ISA260	International Standards on Auditing: The ISA 260 is the standard that requires the external auditors (KPMG LLP) to communicate audit matters of governance interest arising from their audit of the financial statements of the Council. They communicate any such matters through a formal report to the Audit Committee.
ITS	Integrated Transport Service
JAR	Joint Area Review. Managed by Ofsted, the joint area review judges the contribution that the council and its partners in the local area are making to improve outcomes for children and young people
KLoE	Key Lines of Enquiry: Defined and used by the Audit Commission to support the Comprehensive Performance Assessment (CPA) of Local Authorities
KPMG LLP	The Councils External Auditors appointed by the Audit Commission
LA	Local Authority
LAA	Local Area Agreement: Local Area Agreements are made between central and local government in a local area. Their aim is to achieve local solutions that meet local needs, while also contributing to national priorities and

	the achievement of standards set by central government. There is an Oxfordshire LAA. Targets are set and specific funding streams are obtained through the LAA.
LSP	Local Strategic Partnerships: The bringing together of key local organisations from the public, private, voluntary and community sectors to focus efforts on the issues that matter most to local people and communities. In Oxfordshire there is a countywide LSP known as Oxfordshire Community Partnership (OCP).
Monitoring Officer	This is a statutory post under Section 5 of the Local Government and Housing Act 1989, with the overarching responsibility to ensure the lawfulness and fairness of decision making in the Council.
MTFP	Medium Term Financial Plan. Updated annually, the MTFP sets out a five year forecast of resources and service spending priorities.
NFI	National Fraud Initiative. The Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies.
OCP	Oxfordshire Community Partnership: The Countywide LSP in Oxfordshire.
OFG	Operational Finance Group: This group is responsible for the implementation of policies and procedures and for the control of financial activities such as budget and yearend. It is directed by the Strategic Finance Managers Group (SFG), to which it reports its activities through its Chair, the Chief Accountant.
Ofsted	Office for Standards in Education
OSJ	Orders of St. John Care Trust
OWP	Oxfordshire Waste Partnership
PAYE	Pay As You Earn
PCT	Primary Care Trust

Project Link	This is the project in Social and Community Services to develop an integrated management system for Adult Social Care that can interface directly with the main accounting system (SAP)
PSA	Public Service Agreement
PWLB	Public Works Loan Board. This is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
QuEST	Quality Educational Services and Training: Available in schools from the Educational Effectiveness Service.
S151 Officer	A statutory post, under Section 151 of the Local Government Act 1972 held by the Head of Finance and Procurement. The S151 Officer is responsible for the proper administration of the financial affairs of the Council
SAP	SAP is the Councils key management information system, including the main accounting system.
SAP revitalisation	This is the Programme for the development of SAP required to deliver consistent, reliable and robust business management information.
Schools Forum	This is a group made up of representatives from schools and other stakeholder bodies, and includes schools Governors and Head Teachers. The remit of the group is to consider schools funding formula; contracts; financial issues; and the provision of accounts to schools.
SDLT	Stamp Duty / Land Tax
SFG	Strategic Finance Group: Officer group comprising Head and Assistant Heads of Finance and Strategic Finance Managers, with responsibility for providing advice and assurance on system of internal financial control and to specify the accounting framework and standards and the financial management requirements.

Shared Services	This is the Programme designed to bring under one umbrella HR and Finance support functions in order to provide a more efficient and effective services.
SIC	Statement on Internal Control: In accordance with the Accounts and Audit regulations 2003, the Council is required to provide an annual statement on the adequacy and effectiveness of its system of internal control.
SOLACE	Society of Local Authority Chief Executives and Senior Managers is the representative body for senior strategic managers working in the public sector. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.
SORP	Statement of Recommended Practice. These are guidance on accounting standards as defined by the Accounting Standards Board (ASB)
SWG	Statement on Internal Control Working Group: An officer group tasked with compiling the SIC, including the development and promotion of the internal control framework, and the collation of evidence to support the annual SIC Statement.
SWIFT	Management information system used by Social & Community Services.
Use of Resources	This is part of the Audit Commissions CPA assessment that focuses on financial management and the links to the strategic management of the council. It looks at how financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money.
WGA	Whole Government Accounts

Ian Dyson
Assistant Head of Finance (Audit)
Updated 24 June 2008

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AUDIT COMMITTEE

MINUTES of the meeting held on Wednesday, 20 January 2010 commencing at 11.00 am and finishing at 1.25 pm

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Ray Jelf (Deputy Chairman)
Councillor Alan Armitage
Councillor Roy Darke
Councillor Tim Hallchurch MBE
Councillor Charles Mathew
Councillor Lawrie Stratford
Dr Geoff Jones

**Non-voting
Co-optees:** Dr Geoff Jones

**Other Members in
Attendance:** Councillor Keith R. Mitchell (for Agenda Items 1-8)
Councillor Melinda Tilley (for Agenda items 1-12)

Officers:

Whole of meeting P. G. Clark, I. Dyson, G. K. Malcolm, S. Scane
(Corporate Core)

Part of meeting

Agenda Item	Officer Attending
6	S. Collins (Shared Services) S. Kearey & S. Stapley (Social & Community Services)
7	T. Chapple (Corporate Core)
8	Dr. I. Alvi (Corporate Core)
9	H. Cameron (Shared Services)

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 and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

1/10 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 18 November 2009 (AU3) were approved and signed.

2/10 ANNUAL EXTERNAL AUDIT REPORT 2008/09

(Agenda No. 5)

The Committee considered a report (AU5) which summarised the 2008/09 external Audit Work carried out by KPMG LLP within their areas of audit responsibility.

As the information in the Report was not new to members, Ms. Scane presented the paper on behalf of the external auditors. She drew attention to the two key messages relating to the use of resources assessment and the unqualified audit opinions issued on the Council's financial statements, the pension fund's financial statements & the value for money conclusion. She then responded to members' questions and comments on the formal Letter. In relation to the Managing Resources findings members expressed disappointment that the Letter did not indicate how the Council might improve its score.

RESOLVED: to note the report.

3/10 UPDATE ON WORK ON FAIRER CHARGING INCOME

(Agenda No. 6)

At the October 2009 meeting of the Audit Working Group, officers set out a detailed plan for the remaining actions to be completed in order to improve the end to end fairer charging assessment process, with a view to reducing (or eliminating) the amount of foregone income.

The Committee considered a report (AU6) which updated members on the progress against the action plan, and the impact of these and previous actions on the levels of foregone income. This report had come direct to the Audit Committee following the recent cancellation of the Audit Working Group meeting during difficult weather conditions.

Mr. Kearey, Mr. Collins and Ms. Stapley introduced the paper and drew attention to the significant actions taken and improvements which were completed or under way and responded to questions and comments, including the measures put in place to provide management information. Members welcomed the improvements so far and thanked the officers for their work and progress.

RESOLVED: to

- (a) note the report; and
- (b) ask the Audit Working Group to consider an update at its April 2010 meeting and report to the Committee.

4/10 SELF ASSESSMENT OF TREASURY MANAGEMENT PRACTICES AT OXFORDSHIRE COUNTY COUNCIL

(Agenda No. 7)

The Committee considered a report (AU7) which set out the proposed Treasury Management strategy for the financial year 2010/11, the Prudential Indicators, the borrowing strategy and an interest rate forecast. Also included in the report was the Annual Investment Strategy, detailing the range of Specified and Non Specified investments that the Council may enter into, and the minimum credit criteria for the investment types. The details of a self assessment of current Treasury Management Practices which had been carried out at Oxfordshire County Council were also included.

Mr Chapple introduced the paper and outlined the process for comment on / approval of the Treasury Management Strategy, including the Strategy & Partnership Scrutiny Committee, Cabinet and Council. He responded to questions and comments including the cost and role of Treasury Management Advisors.

Mr. Jones, Chairman of the Audit Working Group considered that the Group should consider any outstanding issues. Mr. Dyson confirmed that he would be reporting to the Audit Working Group but that he had no matters of concern.

RESOLVED: to note the Council's Treasury Management self assessment as at January 2010.

5/10 IMPROVING PROJECT AND PROGRAMME MANAGEMENT GOVERNANCE

(Agenda No. 8)

The Committee considered a report (AU8) which updated progress with the action plan to improve project and programme management governance which had been presented to the Committee on 22 April 2009. (The Committee had agreed to include in its Work Programme a brief overview and action plan progress update.)

Officers outlined the background to the current position in terms of the development of project management guidance and governance. Dr. Alvi responded to questions and comments about the integration of project and risk management with performance management, the provision of leadership and challenge, the membership of the ICT Strategy Board and the Business Efficiency Strategic Board and the purpose and use of Gateway reviews.

RESOLVED: to

- (a) note this progress report; and
- (b) ask the Head of Strategy to report to the Audit Working Group (AWG) as part of the Group's quarterly consideration of risk through the corporate balance scorecard which included key projects and the risks associated with them, with a six monthly report via the AWG to the Committee.

6/10 INTERNATIONAL FINANCIAL REPORTING STANDARDS - UPDATE

(Agenda No. 9)

The Committee considered a report (AU9) which provided an update on the progress in ensuring the Council's compliance with changes in accounting standards.

Ms. Cameron introduced the paper which updated the position since the last report to the Committee in April 2009 to ensure compliance with the requirement for local authorities to prepare their accounts using International Financial Reporting Standards (IFRS). She drew attention to the areas of significant difference between IFRS and the current Code of practice on Local Authority Accounting in terms of property, leases, service concession arrangements, employee benefits and the reporting, presentation & disclosure requirements and responded to points of clarification. Work was ongoing to ensure that the Council met the requirements within the timescale.

RESOLVED: to

- (a) receive the report; and
- (b) note the IFRS project progress to date.

7/10 REVIEW OF THE PROCESS FOR REPORTING ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

(Agenda No. 10)

In accordance with the Accounts and Audit Regulations 2003 (Amended 2006), the Council was required to undertake a review of the effectiveness of the system of Internal Audit.

The Committee considered a report (AU10) which detailed for the consideration and approval of the Committee the assurance framework and suggested process for undertaking and reporting on the review. Mr. Dyson introduced the paper and Mr. Clark confirmed that the assurance framework and suggested process formed part of the Annual Governance process.

RESOLVED: to

- (a) approve the existing process for reviewing the effectiveness of the System of Internal Audit, with the addition of incorporating the conclusions arising from the Audit Commissions triennial review of Internal Audit, or instruct officers on changes required to the process for 2009/10;
- (b) approve the circulation list, content and format of the Annual Survey Questionnaire; and
- (c) authorise the Monitoring Officer to undertake the review and report back to the Audit Committee.

8/10 AUDIT COMMITTEE DRAFT WORK PROGRAMME 2010/11

(Agenda No. 11)

The Committee's terms of reference in the Constitution required the Committee to agree a Programme of Work annually in advance.

The Committee considered a draft Work Programme for 2010/11 (AU11).

RESOLVED: to

- (a) adopt the draft Work Programme as amended in the addenda, subject to the addition of a possible item arising from CIPFA guidance that Audit Committees ' should have clear reporting lines and rights of access to....for example scrutiny committees'; and
- (b) note:
 - that the Audit Working Group would meet following the conclusion of the Committee on 3 March 2010 (its last meeting having been cancelled); and
 - the proposed dates for the Audit Working Group in 2010/11 as shown in the addenda as follows:

8 April 2010
3 June 2010
8 September 2010
4 November 2010
06 January 2011
17 February 2011

9/10 DATE OF MEETING

(Agenda No. 12)

The Chairman informed members that he had agreed to bring forward the 29 September 2010 meeting to 22 September 2010 in order to allow time for work towards the publication of the Accounts by 30 September 2010.

RESOLVED: to note the change of date.

..... in the Chair

Date of signing

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AUDIT COMMITTEE – 3 MARCH 2010

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 3 February 2010.

The meeting was attended by:

Dr. Geoff Jones – Chairman; Cllr. David Wilmshurst; Cllr Ray Jelf; Cllr. Alan Armitage; Peter Clark, County Solicitor; Ian Dyson, Assistant Head of Finance (Audit); Imran Alvi, Assistant Corporate Performance & Review Manager.

Part meeting only:

Sarah Cox, Audit Manager; Neil Shovell, Audit Manager; Georgina Paton, Principal Finance Manager, (Corporate and Professional Standards); Mike King, ICT Programme Manager.

Observers: Cllr. Darke;

Apologies: Sue Scane, Assistant Chief Executive

AWG WORK PROGRAMME ITEMS

AWG4 Review of the AWG Terms of Reference

The Terms of Reference is attached as appendix 1 to this report. Some minor amendments are suggested by the Group as highlighted in bold text. The Committee is asked to consider and approve the revised Terms of Reference.

AWG5 Annual Governance Statement Process and quarterly update of the 2009 AGS Action Plan

The Group noted there are no material changes to the AGS process that require referral to the Audit Committee.

The report included the results of the first six months Internal Control Checklist returns, which overall did not highlight any areas for concern; however, the Group noted that the CYPF Directorate had an increase in the number of 'room for improvement controls'. Whilst it is likely to be attributable to the impact of the major restructure within the Directorate, the Group will be inviting the Strategic Lead, Business Improvement, and the Service Manager, Communications and Performance, from the CYPF Directorate to the next AWG meeting to understand the issues in more detail. This will coincide with a briefing to the Group from Internal Audit who are currently undertaking an audit of the governance arrangements within CYPF.

The Group noted that overall actions identified in the 2009 AGS will be completed before 31 March 2010, but was concerned that within CYPF, testing of Business Continuity Plans will not be completed before the year end. This will be included in the discussion with the Officers at the next meeting. The Group requested further detail regarding the overall performance of the Council's Business Continuity, in particular an update on the results or issues emerging from the testing of plans, and the recent application of the Major Incident Reporting system resulting from the severe weather.

At the next meeting of the AWG the Group is due to receive an early draft of the 2010 AGS. It was requested this should include items being considered for inclusion in the AGS Action Plan.

AWG6 Risk Management Progress Report

The Group was pleased to note the Assistant Corporate Performance & Review Manager's confirmation that he will be attending the AWG meetings in the future. The Group was also encouraged at plans to more closely align the risk management, project management and performance management processes. The Group requested that future reports from the Officer should highlight issues emerging from the team's overview of these processes, and their liaison with the risk management leads in each Directorate. The Officer will report at every AWG in future, including a quarterly report on the progress with the risk management action plan.

As requested by the Audit Committee at their meeting on 20 January 2010, the Group reviewed the risk register for Safeguarding and Child Protection Services. The Group could not determine from review of the register alone the process by which the risks identified have been scored and are being managed, so felt it could not draw any conclusions at present. The Group has requested the risk owners attend the next meeting to explain in more detail.

AWG7 Internal Audit Quarterly Report – Q3

It was reported that whilst good progress is being made in delivering on the Audit Plan, there are resource issues that may result in a small overrun of days into 2010/11; the Group was however assured that this will not have a material impact on next year's Audit Plan.

The Group requested a separate item at the next meeting to consider progress with the Counter-Fraud Action Plan.

AWG8 Progress report on issues arising from External Audit reports

An updated progress report was tabled at the meeting, but due to time constraints was not discussed. The Chairman has subsequently reviewed the actions and noted that although progress has been made, it was not altogether certain that communication of requirements to schools in respect of, for example, monthly monitoring, year-end closedown information, bank reconciliations and devolved formula capital would actually result in the recommendations being fully implemented. The AGS Action Plan (see above) is likely to pick up some of these issues.

AWG9 SAP Authorisations Project Progress Report

The Group was satisfied that the project is progressing in accordance with the agreed timetable and decided that it was not necessary for it to receive further specific reports on progress. The project was included in last year's AGS Action Plan and will be monitored by the Corporate Governance Working Group and the AGS process.

AWG10 Proposed Work Plan

The proposed work plan for 2010/11 is attached as Appendix 2 to this report for the consideration and approval of the Committee.

The Committee is RECOMMENDED to

- (a) note the report;**
- (b) approve the AWG terms of reference**
- (c) approve the AWG work plan for 2010/11**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer
Corporate Core

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

17 February 2010

Audit Working Group

Terms of Reference

Membership

The Audit Working Group shall comprise of:-

~~three County Councillors, including the Chairman of the Audit Committee with three named substitutes;~~

~~one independent member drawn from the Audit Committee (who will be appointed by the Committee and will Chair the Group).~~

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

The Assistant Chief Executive & Chief Finance Officer, the County Solicitor and Monitoring Officer, the Assistant Head of Finance (Audit), and the **Assistant Corporate Performance & Review Manager** ~~Corporate Risk and Performance Adviser~~, or their representatives shall attend the Group meetings.

Members of the Group and their **deputy's** ~~substitutes~~ 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 Committee are invited to attend Audit Working Group Meetings as observers. The Assistant Head of Finance (Audit) should be notified in advance should a member of the Committee wish to attend.

Role

The Audit Working Group shall:

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

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

consider issues arising in detail as requested by the Audit 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 Assistant Head of Finance (Audit) only.

Reporting

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

Meeting

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

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

Confidentiality

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

All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit 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 (Section (ff) paragraph 12) shall apply.

UpdatedFebruary 2010

Review Date.....February 2011

Officer Responsible Ian Dyson, Assistant Head of Finance (Audit)
Telephone 01865 (32)3875
lan.dyson@oxfordshire.gov.uk

**AUDIT WORKING GROUP
DRAFT WORK PROGRAMME 2010/11**

2010**Thursday 8 April**

- Internal Audit Quarterly Report (Q4 – 2009/10) – Ian Dyson
- Counter-Fraud Action Plan progress report – Neil Shovell
- Early Issues for the Annual Governance Statement and Action Plan
- Draft report – review of the effectiveness of Internal Audit – Peter Clark
- Risk Management Progress Report – Dr Imran Alvi
- Review of Safeguarding Children risk register – Noreen Collins/Damian Griffiths
- Whistle blowing annual report – Peter Clark
- CYPF Internal Control Arrangement – David Calver / Sharon Fleming
- Business Continuity Testing and Major Incident Reporting – Ian Travers-Smith

Thursday 3 June

- Internal Audit Progress Report – Ian Dyson
- Draft Internal Audit Annual Report – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Fairer Charging progress report – Simon Kearey / Sean Collins / Sandra Stapley
- KPMG recommendations follow-up

Thursday 8 September

- Internal Audit Progress Report (Including Q1 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi

Thursday 4 November

- Internal Audit Progress Report (Including Q2 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Quarterly Update AGS Action Plan – TBC

2011**Thursday 6 January**

- Annual Governance Statement Process – annual review of the assurance framework and results from the Internal Control Checklists – TBC
- Quarterly Update AGS Action Plan – TBC
- Internal Audit Quarterly Report (including Q3 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi

Thursday 17 February

- Internal Audit Progress Report 2010/11 – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Progress report on issues arising from the External Audit Reports - TBC
- Draft work programme 2010/11 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson
- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 3 February 2010

Ian Dyson, Assistant Head of Finance (Audit) 01865 323875

AUDIT COMMITTEE ANNUAL REPORT 2009

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Chairman's Introduction

I am delighted to be reporting on the activities and achievements of the Audit Committee in 2009, in what has been my fifth year as Chairman. Sitting on this Committee is always challenging as being part of an effective and dynamic organisation means risks and issues are constantly evolving. The Audit Committee has a significant role in ensuring that the Council can remain effective and high performing despite the many challenges it faces, through strong governance underpinned by an effective risk management and internal control framework.

In 2009 the membership of the Committee itself changed following the local elections in June. We said goodbye to five long standing members of the Audit Committee, all of whom have made a significant contribution to the Committee; Alan Bryden, Patrick Greene, Dermot Roaf, John Sanders and Craig Simmons should be proud of their contribution they have made to this Committee and what it has achieved; I would like to thank them all for the time, effort and support they have given to the role.

In June we welcomed Alan Armitage, Sandy Lovatt, Roy Darke, Larry Sanders and Lawrie Stratford onto the Committee and I am very pleased to say the transition has been seamless. The new members have all embraced the "One Team" approach, and as Officers will testify, have already demonstrated the core skills needed to be an effective member on an Audit Committee, namely an ability to question, probe and seek clarification about complex issues.

2009 also saw the changeover of our External Auditors from KPMG LLP to Audit Commission. It is important for this Committee to have a strong working relationship with both Internal and External Audit, and the first few months of this new relationship with the Audit Commission have been very encouraging and they have been regular attendees at the Committee meetings. In my role as Chairman I also regularly meet with the Head of Internal Audit and the External Auditors to ensure the relevance of the agenda to local and national issues. . The Audit Commission also supported the Members Training Programme by participating in the presentation on the Role of an Audit Committee training that was put on in September 2009.

The key purpose of this report is to detail the role of the Audit Committee, and to summarise the key activities and achievements in 2009 that demonstrate how we have fulfilled this role effectively; however, essential to an effective Committee is the membership itself and the support it receives from Officers and Cabinet Members. Committee members have both expertly supported and challenged officers and Cabinet Members to ensure our risk management, internal control and governance arrangements are effective and transparent, and during 2009 the Committee was grateful for the regular attendance and contribution by the Cabinet Member for Finance, and the Chairman Corporate Governance Scrutiny Committee, (Strategy and Partnerships Scrutiny Committee from June 2009). The final section of this report details the membership and meetings of both the

Audit Committee and the Audit Working Group in 2009.

I should like to take this opportunity to give my personal thanks for their contribution and support to; all the committee members; particularly Dr. Geoff Jones, Chairman of the Audit Working Group and co-opted member of the Audit Committee; Sue Scane, Assistant Chief Executive & Chief Finance Officer; Peter Clark, County Solicitor and Monitoring Officer; Ian Dyson, Assistant Head of Finance (Audit), and the Internal Audit Team; and Geoff Malcolm, Principal Committee Officer. On behalf of the Audit Committee I should also like to thank the Officers who have presented well prepared detailed reports, and have provided timely and comprehensive responses to our questions and challenges.

As a final thank you, I would like to mention the support this Committee received from Councillor Charles Shouler in his role as Cabinet Member for Finance. Charles has regularly attended our meetings, and as Chairman that has enabled me to ask him to comment on the various reports and issues being raised. The Committee greatly valued his regular input and clarification over complex financial issues. Charles has of course stood down from his role on the Cabinet, but I am pleased to report that Councillor Keith Mitchell is providing a similar level of support.

I have no doubt that in 2010 we as a Council will face many challenges, not least through the scale of efficiency savings, but I am confident that the strength of governance within this Council, underpinned by an effective Audit Committee will see us successful through these difficult times.

Cllr. David Wilmshurst
Chairman, Audit Committee

Role of the Audit Committee

The Audit 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 2006. The Guidance defines the purpose of an Audit Committee as follows:

“ to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.”

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

Key Activities

In this section the activities of the Committee in 2009, including the Audit Working Group, are summarised under the headings of the key functions. Achievements and improvements to which the Audit Committee has contributed are highlighted.

Internal Control

- Review and approval of the 2008/09 Annual Governance Statement, including identification of key weaknesses and action plans to address them.
- Quarterly monitoring of progress on actions identified in the 2007/08 and 2008/09 Annual Governance Statement.
- Reviewing the adequacy and effectiveness of the current Financial Management framework against the CIPFA Financial Management Model of good practice.
- Monitoring the implementation of improving control over Project Management.
- Review the outcomes from the six monthly internal control checklist assurance process, where Directors, Heads of Service, and Corporate Business Leads undertake a self assessment of compliance against key controls.
- Supporting Internal Audit by closely monitoring the implementation and effectiveness of improvements resulting from issues raised.
- Monitoring the progress with the business process re-engineering exercise within the Schools Finance Team; and, the progress with improving the performance on the Fairer Charging System.
- Increased scrutiny of the Treasury Management Function in accordance with new guidelines

Risk Management

- Review of the annual report from the Risk Manager, and monitoring of the risk management improvement plan.
- Review quarterly Risk Management reports including an update on compliance with the risk management process across all Directorates. The quarterly reports also contain the highest scored risks escalated to the County Council Management Team, and the Strategic Risk Register, for the consideration of the Committee; to gain assurance over the process; and to determine whether further examination of the processes is required in any area.
- Review of the risk management process for Safeguarding Children services,
- The Committee, through the Audit Working Group, and through the Chairman as Member Champion for Risk Management, have been monitoring closely the development of Risk Management across the Council, as resources available for this key role in 2009 were restricted due to staff absence. The improvements made in 2009 have been limited, but through working with the Officers the Committee is now pleased to note a strengthening and

application and reporting of risk management that should further enhance the existing process. The Committee is expecting to see evidence of the change in 2010, and has request more frequent detailed reporting from the Officers responsible for monitoring risk management.

Internal Audit

- In accordance with the 2006 amendment to the 2003 Accounts and Audit Regulations, the Committee undertook a continuous review of the effectiveness of the system of internal audit. This comprised of:
 - o Approval of the process for undertaking the review;
 - o Approval of the Internal Audit Strategy, Annual Plan and set of performance indicators;
 - o Quarterly reports by the Assistant Head of Finance (Audit) detailing progress against the plan and performance targets;
 - o Annual report for 2008/09 by the Assistant Head of Finance (Audit)
 - o Feedback from KPMG LLP, the External Auditors on reliance placed on the work of Internal Audit;
 - o Review of compliance against the 2006 CIPFA Code of Practice for Internal Audit;
 - o Annual survey across Head of Service and Directors to feedback on performance and effectiveness of Internal Audit;
 - o Annual report by the Monitoring Officer collating the evidence, and conclusion on the effectiveness of the System of Internal Audit.
- The Committee has also supported the Assistant Head of Finance (Audit) on structure changes to ensure the function is properly resourced, and fit for purpose.
- The Committee, through the Audit Working Group has monitored the implementation of agreed management actions arising from the work of Internal Audit.

External Audit

- The Council's External Auditors, KPMG LLP and more recently Audit Commission have regularly attended committee meetings in 2009. This enabled the Committee to maintain a good working relationship with the Auditors.
- Received the External Auditors' Annual Report, for 2008/09, and monitored through to implementation the actions arising from that report;
- Received the 2007/08 Annual Audit and Inspection Letter from the Audit Commission;
- Received the statutory reports on the Audit of the Statement of Accounts and Use of Resources 2009. This report details the work undertaken in respect of the accounts and also Internal Audit.

Anti Fraud and Corruption

- The quarterly Internal Audit progress reports include an update on internal investigations being undertaken relating to matters of fraud and corruption;
- The Monitoring Officer provides an annual report on cases of whistle blowing, from both internal and external sources.
- Review and approval of the whistle blowing process.

Annual Accounts Process

- Review and approval of the 2008/09 Annual Accounts, submitted to the Auditors.
- As stated above, the Committee also reviewed and approved the 2008/09 Annual Governance Statement reported with the Annual Accounts, and received the Auditors report on the Annual Accounts.

Key Achievements

- **Successful implementation of the Financial Management Action Plan building on the positive results from the independent review undertaken in 2008,**
- **Introducing the role of monitoring the system for Treasury Management in accordance with guidance from Government and the Audit Commission; including the training of members to fulfil this role effectively.**
- **Establishing ownership and accountability for the improvement in performance over the Fairer Charging System and ensuring momentum is maintained in delivering the improvements.**

Key Areas of Focus Looking Forward to 2010

- **Maintaining effective governance and internal control whilst delivering efficiency savings.**
- **Data Quality – including the impact of the SAP Development Programme and the review of IT needs in Social & Community Services.**
- **Embedding of structure changes in CYPF.**
- **Transforming Social Care as Self Directed Support and Personal Budgets are rolled out.**
- **Reviewing impact of the Business Process Re-engineering on the effectiveness of the Schools Finance Team**

Membership, Meetings & Attendance

Audit Committee

The Audit Committee comprises of nine elected members representing all political parties and a Co-opted Member, Dr. Geoff Jones, who continues to bring to the Committee a high level of knowledge and understanding of governance, public sector accounting and audit.

Having the right skills, knowledge and experience are key attributes for members of an audit committee to have in order for this key assurance function to be effective. Specifically members should have the ability to question, probe and seek clarification about complex issues, and should have experience in some of the core functions of the Committee; financial awareness is essential, but a broad understanding of the financial, risk and control, and governance issues facing local authorities and the Council specifically is more important than having an accounting background or professional qualification.

Other Members

The Committee was grateful for the regular attendance and contribution by the Cabinet Member for Finance, and the Chairman of the Corporate Governance Scrutiny Committee (Strategy and Partnerships from June 2009). The Committee was also grateful for the attendance at the January meeting of the Cabinet Member for Children Young People and Families.

Officers

The Audit 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. Essentially the Committee is well supported by Senior Officers. In 2009 the Assistant Chief Executive & Chief Finance Officer (A member of the County Council Management Team), the County Solicitor & Monitoring Officer, and the Head of Internal Audit routinely attended the meetings. These same officers along with the Corporate Risk and Performance Advisor also routinely attend the Audit Working Group meeting.

External Audit

Our External Auditors, both KPMG and now the Audit Commission have supported the Audit Committee by regularly attending meetings to present their reports.

Meetings

The Audit Committee met seven times in 2009, including a special meeting on 16 June to elect the Chairman and Deputy Chairman following the Local Elections. The Audit Working Group met five times in 2009, the meeting scheduled for June 2009 was cancelled due to the Local Elections. The meetings of both were timetabled to ensure the agreed work programmes could be discharged in a timely manner with the regularity of monitoring and review maintained.

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.

Summary of membership 1 January – 5 June 2009

Name	Audit Committee	Audit Working Group
Cllr. David Wilmshurst	Chairman	Member
Cllr. Ray Jelf	Deputy Chairman	Member
Cllr. Alan Bryden	Member	Member
Cllr. Patrick Greene	Member	
Cllr. Timothy Hallchurch MBE	Member	Substitute / Observer
Cllr. Charles Mathew	Member	Substitute / Observer
Cllr. Dermot Roaf	Member	Substitute / Observer
Cllr. John Sanders	Member	Observer
Cllr. Craig Simmons	Member	
Dr. Geoff Jones	Co-opted Member	Chairman

Summary of membership 5 June – 31 December 2009

Name	Audit Committee	Audit Working Group
Cllr. David Wilmshurst	Chairman	Member
Cllr. Ray Jelf	Deputy Chairman	Member
Cllr. Alan Armitage	Member	Member
Cllr. Sandy Lovatt	Member	Substitute / Observer
Cllr. Timothy Hallchurch MBE	Member	
Cllr. Charles Mathew	Member	Substitute / Observer
Cllr. Roy Darke	Member	Substitute / Observer
Cllr. Lawrie Stratford	Member	
Cllr. Larry Sanders	Member	
Dr. Geoff Jones	Co-opted Member	Chairman

Training and Development

Prior to Audit Committee meetings time is allocated for officers to deliver a development session for members to keep them up to date with any new requirements or changes to the existing governance framework. Although the topics relate to audit issues, the sessions are not exclusive to the Audit

Committee and are open to all members. The following development sessions were delivered in 2009:

Date and Presenter	Topic
21 January 2009, Alan Sinclair, Programme Manager	Transforming Adult Social Care Programme, including Self Directed Support
23 September 2009, Ian Dyson, Assistant Head of Finance (Audit); And others.....	Overview of the Role of the Audit Committee
18 November 2009, Matt Barlow & Tim Chapple JOB TITLE	Treasury Management
20 January 2009, Mark Winstanley	ICT Security

Appendix 1 - Audit Committee Functions

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

1. The functions in relation to the approval of the statement of accounts etc specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control.
2. To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources:
 - to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;
 - to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and
 - to ensure coordination between internal and external audit plans to maximize the use of resources available as part of a total controls assurance framework;
 - and to draw to the attention of the Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.
3. To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or the Council's External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.
4. To systematically monitor:
 - the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time;
 - the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties

are fulfilled;

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

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

- the system for Treasury Management

- and to draw to the attention of the Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

5. 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.

Appendix 2 - Audit Working Group Terms of Reference

Membership

The Audit Working Group shall comprise of:-

~~three County Councillors, including the Chairman of the Audit Committee with three named substitutes;
one independent member drawn from the Audit Committee (who will be appointed by the Committee and will Chair the Group).~~

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

The Assistant Chief Executive & Chief Finance Officer, the County Solicitor and Monitoring Officer, the Assistant Head of Finance (Audit), and the **Assistant Corporate Performance & Review Manager** ~~Corporate Risk and Performance Adviser~~, or their representatives shall attend the Group meetings.

Members of the Group and their **deputy's substitutes** 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 Committee are invited to attend Audit Working Group Meetings as observers. The Assistant Head of Finance (Audit) should be notified in advance should a member of the Committee wish to attend.

Role

The Audit Working Group shall:

- act as an informal working group of the Audit Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference (Section I 1a of the Constitution);
- routinely undertake a programme of work as defined by the Audit Committee;
- consider issues arising in detail as requested by the Audit 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 Assistant Head of Finance (Audit) only.

Reporting

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

Meeting

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

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

Confidentiality

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

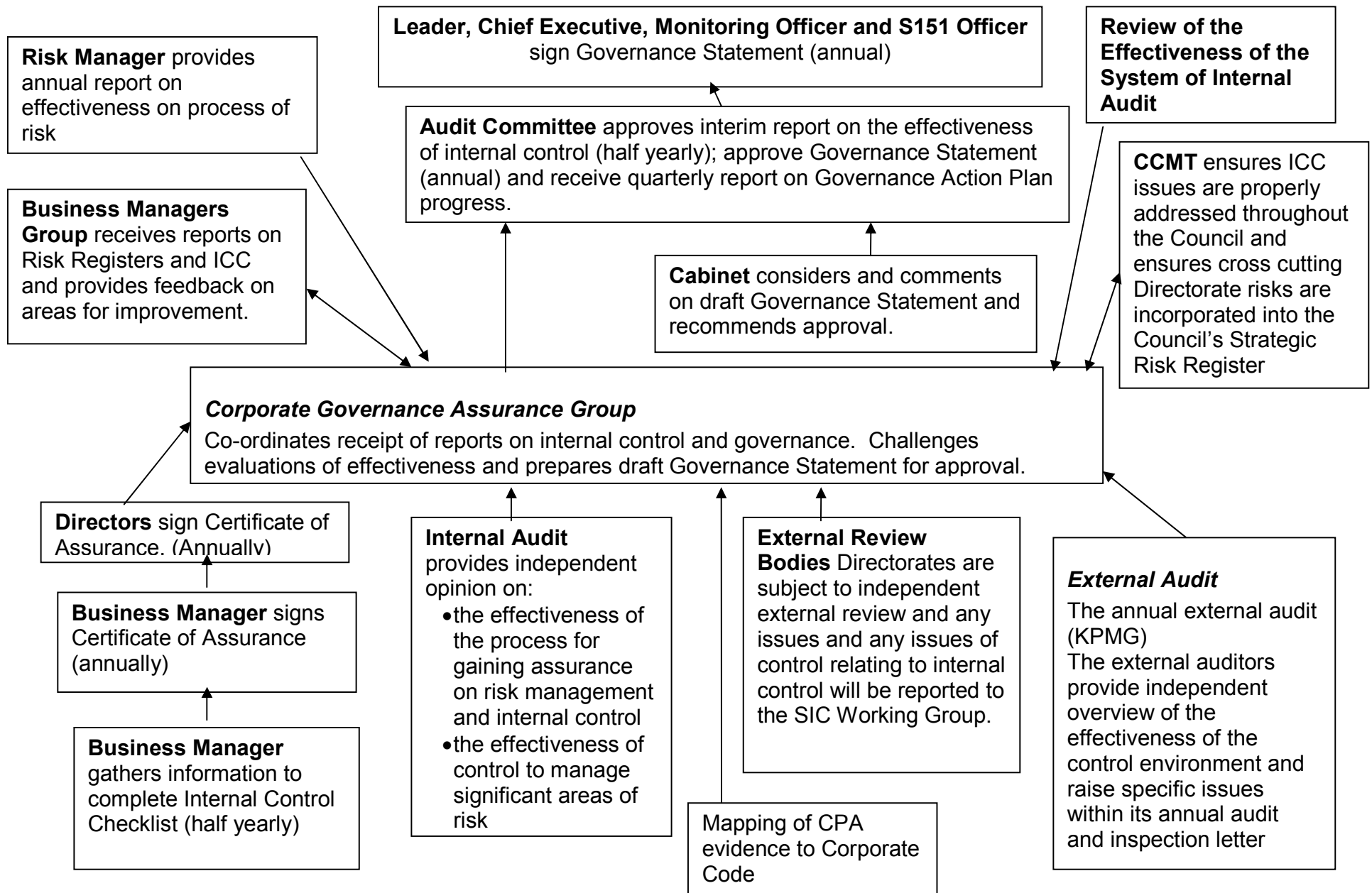
All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit Committee for information whether attending the Group or not.

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 (Section (ff) paragraph 12) shall apply.

UpdatedFebruary 2010

Review Date.....February 2011

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OXFORDSHIRE COUNTY COUNCIL

INTERNAL AUDIT SERVICES

**INTERNAL AUDIT STRATEGY AND
ANNUAL PLAN 2010/11**

Ian Dyson
Assistant Head of Finance (Audit)
Financial Services and Procurement
Corporate Core

February 2010

INTERNAL AUDIT SERVICES

INTERNAL STRATEGY & AUDIT ANNUAL PLAN 2010/11

1. Introduction

- 1.1 This document sets out the Internal Audit Services work plan for 2010/11. The plan is attached as appendix A to this report and lists the audit activity, the planned days, and a brief description outlining the objectives of the work. Against each audit activity listed within the Audit Plan is a “significance” rating of high, medium or low. This is a subjective rating by the Head of Internal Audit, based on the impact of the process on the Council’s objectives and statutory responsibilities.
- 1.2 The consultation process for devising the Plan included Directors, Heads of Service, Business Managers, Finance Business Partners, the Assistant Chief Executive & Chief Finance Officer, and by reference to the strategic risk register, and service risk registers.

2. Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2003 (S6) as amended in 2006, 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. Proper internal audit practices are defined in the CIPFA Code of Practice for Internal Audit in Local Government in the UK, which was also updated for 2006.
- 2.2 The CIPFA Code of Practice 2006 defines Internal Audit as an assurance function whose primary role is to provide an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and efficient use of resources.
- 2.3 The Assistant Head of Finance (Audit) provides this opinion in 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. The methodology for identifying areas for audit is detailed in section 3 of this report.
- 2.4 The Internal Audit Service comprises of an in-house team supported by contract staff bought in for specialist IT Audit work, and for FMSiS Schools audits. The County Council also has a call off contract (hosted by

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- Buckinghamshire County Council) for Internal Audit Services, to provide resilience in covering vacancies or long term absences. The current contract ends on 31 March 2010, but a new contract for three years is currently out to tender, and should be in place from 1 April 2010.
- 2.5 In 2007/08 Internal Audit in collaboration with CYPF Directorate and the Schools Forum, agreed a three year strategy for supporting schools in achieving the Financial Management Standards in Schools (FMSiS) accreditation. This has been a major success and as a result, the Schools Forum has commissioned Internal Audit Services to continue the service for a further three years, 2010 to 2013.
 - 2.6 In 2009/10 Internal Audit was able to extend its coverage to external clients, Buckinghamshire County Council and Thames Valley Police Authority. Whilst last year the external income enabled some growth in resources, budget pressures over the term of the councils Medium Term Financial Plan now means this income will be required to meet savings targets of £74000. The current level of resource in Internal Audit is dependent on the generation of income, this is explained in more detail in section 4 of this report.
 - 2.7 The Assistant Head of Finance (Audit), performs the role of Chief Internal Auditor across four Authorities; Oxfordshire County Council; Thames Valley Police Authority; Buckinghamshire County Council; and, by de facto the Buckinghamshire and Milton Keynes Fire Authority. This arrangement has been operating for 12 months, and will continue for a further 12 months, during which the opportunity to integrate the three internal teams to generate further savings and provide greater resilience will be progressed including establishing a shared service arrangement.
 - 2.8 Following the disbanding of the Learning & Skills Council, Internal Audit are benefiting from the transfer of a Principal Auditor from the LSC to Oxfordshire County Council, fully funded for three years. This opportunity supports the strategy for developing a shared internal audit service. The increase in the management capacity enables the Chief Internal Auditor to delegate tasks to the Audit Managers and allows their development in terms of increased exposure to supporting Audit Committees.
 - 2.9 The internal audit team will be restructured again with effect from 1 April 2010 to accommodate the new Principal Auditor role.
 - 2.10 The audit methodology will continue to use manual working papers and production of reports in the short term; however as integration is explored with other organisations, the opportunity to maintain similar systems and processes will be sought, including investigating the benefits of using audit management software.
 - 2.11 There will remain a significant emphasis for internal audit activity in reviewing financial systems; however as reflected in the current year plan, there is also a role in looking at wider risk, supporting the Directorates in

achieving their objectives. Internal Audit will be working closely with the Performance and Risk Management team in providing assurance on the key control processes including risk management, project management, data quality, and partnerships. Contracting and contract management also features heavily within the annual plan, reflecting the way in which this Authority delivers its services through partnership and outsourcing arrangements.

- 2.12 Consistent with previous years, the strategy remains to provide a flexible service that can react to changes in the Council's risk profile, and react to customers needs. The audit plan reflects this by including a reasonable contingency for unplanned work.

3. Audit Planning Methodology

- 3.1 The internal audit plan for 2010/11 has been developed after consultation with Heads of Services and Business Managers in identifying the key business processes to support their objectives in 2010/11. The Strategic Risk Registers and Service Risk Registers have also been used to inform the plan. Not all the areas of activity will be identified on risk registers as business as usual processes are not recorded unless there are known issues. For audit planning purposes, internal audit have discussed the inherent risk of business as usual processes not meeting their objectives, with the managers. The adequacy of risk management will then be considered for each assignment, as the residual risk is evaluated for each process.
- 3.2 The Audit Plan has also been influenced by external influences, for example the Audit Commission and Central Government, with a focus on partnerships and performance monitoring in response to CAA requirements and the development of the Local Area Agreements.
- 3.3 Financial Management remains high profile within the Council, and continues to be transformed in terms of culture, structure and systems. This is reflected in the Financial Services and Procurement risk register, which includes an assessment of risks to discharging the statutory S151 responsibilities. This has been a major influence on the Plan, with the focus being on financial systems, financial management and procurement / contract management.
- 3.4 It is a key objective for Internal Audit to be more visible in the organisation, and to have a greater customer focus in discharging our work. To support this objective, the Plan provides coverage for audit activity in all Directorates.
- 3.5 In addition to the assurance role, it is also recognised within the CIPFA Code of Practice that Internal Audit can add value to the organisation by providing consultancy and advice and guidance on internal control. The Plan includes an allocation of time to support change programmes with a consultancy role in assisting / advising on the control frameworks for new

business processes. By being involved at the development stage will enable Internal Audit to provide an informed opinion on the adequacy of the controls designed as assurance to the various project boards prior to the processes being signed off for live implementation.

- 3.6 The annual audit cycle always runs from 1 April to 30 April the following year with the expectancy that April is used for finalising audit reports issued in the final quarter. For 2010/11 the days carried forward from 2009/10 are estimated to be 50 days.
- 3.7 A further contingency of 150 days has been identified to provide some flexibility to the plan, enabling Internal Audit to respond to emerging risks.

4. Resources

- 4.1 Internal Audit is required to make savings of £74000 by 2011/12. We are achieving through the generation of income by providing chargeable services to Thames Valley Police Authority, Buckinghamshire County Council, and Schools through undertaking external assessments of FMSiS.
- 4.2 The chargeable service to schools is for the provision of an internal audit and FMSiS external assessment to every school, once in a three year cycle. The income generated pays for two full time audit staff, plus the management days delivered by the Compliance Manager, and a small number of administration days. One of the auditor resources is provided by the in house team, the other is outsourced.
- 4.3 The chargeable service to Thames Valley Police Authority is for 386 days. This includes 40 days IT audit activity which is outsourced; 86 Audit Management days, and 260 auditor days. The income generated last year enabled additional auditor resource to be available to Oxfordshire; the transfer of the Principal Auditor from the LSC relieves the pressure on the Audit Management time for this contract. The 260 Auditor days are delivered by the in house team, although this includes the current vacancy for a Senior Auditor
- 4.4 The chargeable service to Buckinghamshire County Council for 2010/11 generates income that will be used for buying in additional audit resource to support the internal audit plan for Oxfordshire, however from 2011/12 this income will be used to meet the savings.
- 4.5 The Internal Audit Service is resourced as follows:

Assistant Head of Finance (Audit)	1 FTE
Audit Managers	1.6 FTE
Principal Auditors	3 FTE
Senior Auditor	3.0 FTE (one vacancy)

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|-----------------|---------------------------------|
| Auditors | 3.0 FTE (including AAT Trainee) |
| CIPFA Trainee | 1 FTE |
| Audit Assistant | 0.8 FTE |
- 4.6 In accordance with the strategy for “buying in” specialist internal audit staff, a budget of £40000 has been retained for this purpose. The specialist work includes IT audit, with a need for 140 days identified in the audit plan, although some of this will be delivered by the in house team.
- 4.7 There has been no loss of staff in 2009/10, although the Principal Auditor for Schools post has now been merged with the Compliance Manager role that operates within the Schools Support Finance Team in Shared Services.
- 4.8 Whilst the team is gaining an additional post from the transfer of the Principal Auditor from the LSC, overall there is a reduction in the chargeable audit days available resulting from the budget savings. We have lost the full time Principal Auditor for Schools post, reduced now to 79 days of the Compliance Managers role; and, we previously outsourced both auditor posts for schools audits; from 2010/11 one auditor role will have to be resourced from the in house team.

Analysis of auditor days

	2010/11	Comments	2009/10	Diff.	Reason for change
Gross days – In house team	3437		3117	+320	Establishment changes: Principal Auditor Schools post now deleted (see below) – (-260 days); Additional post funded by external income from TVPA contract (+260 days); Additional post transferred in from LSC (+260 days), and additional Admin Support days funded by the income generated by the FMSiS audit activity (60 days)
Compliance Manager – Schools Support Finance	73	Previously this post was held in Internal Audit as Principal Auditor for Schools	0	+73	This is directly funded as part of the income generated through the FMSiS audit activity
Contract	682	This is made up of:	591	+91	Last year there was a provision for 391 days for

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days		140 days IT Audit 180 days FMSIS / Schools 302 days Audit Services Contract (includes 180 days for maternity cover – see below) 60 days BCC for new 14-18's learning assurance requirements			FMSiS, 100 days for IT and 100 days Audit Services Contract
Total Gross days	4192		3708	+484	
Overheads	1016	This time is for bank holidays, annual leave, special leave, training, contingency for sick absence, and recruitment.	735	+281	The additional time reflects one member of staff on maternity leave for the full year, plus the additional post introduced in 2010/11. The overhead time includes 190 days for professional training (5 staff)
Non Chargeable Days	465	The non chargeable days are for non audit related activity, including administration time, the wider role of the AHOF (Audit), staff appraisals, 1:1's and departmental work.	414	+51	The additional days reflect the additional resources in the team, and a realignment of the days based on last years actuals. Note the target is for 180 chargeable days per Auditor – allowing for the professional training overhead, this is achieved.
Total Chargeable days available	2711	This is the number of days that contribute directly to internal audit activity.	2559	+ 152	
Chargeable Days – non assignment	278	These are days not attributed to planned audit activity, such as the Head of Audits management days,	240	+ 38	The increase in days reflects time spent by audit staff on Corporate Assurance groups, CGAG and CGWG.

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		admin support for actual audit work, preparation of the audit plan, operational planning, reports for the AWG and Audit Committee.			
Chargeable days – External Clients (BCC and TVPA)	451		196	+ 255	The additional time is accounted
Chargeable days – OCC assignment based	1982	This is the number of days available for delivering the audit plan.	2123	-141	

4.5 The available days have been allocated as follows:

Key Financial Systems	152 days
Shared Services	21 days
Director for Children Young People and Families	205 days
Schools including FMSiS	509 days
Director for Community Safety	12 days
Director for Environment and Economy	104 days
Corporate Core	177 days
Director for Social and Community Services	128 days
IT Audit	100 days
Counter-Fraud	105 days
Follow Up	115 days

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09/10 Carry forward	45 days
Contingency	150 days
Audit Management	159 days
TOTAL PLANNED DAYS	1982 days

5. Risks

- 5.1 The key risk areas to the achievement of the plan are performance and staff retention. Both of these are considered low risk at this stage.

6 Performance Monitoring

- 6.1 Progress against the audit plan will be monitored at every meeting by the Audit Working Group. A quarterly report on performance, measured against the agreed performance indicators, (attached as appendix B) will be also given to the Audit Working Group, and reported on through that group to the Audit Committee.

Ian Dyson

Assistant Head of Finance (Audit)

April 2010

APPENDIX A INTERNAL AUDIT PLAN 20010/11

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
KEY FINANCIAL SYSTEMS					
Payroll	This audit is undertaken annually to provide assurance that payments are accurate, timely and paid to legitimate employees only.	12	Risk	FS&P Risks Register	High
Accounts Payable	This audit is undertaken annually to provide assurance that payments to creditors are timely and in respect of goods or services required and received by the council. It will cover procure to pay processes in SAP R3, and SRM. During 2010/11 a system will be implemented which will automate the processing of invoices. This will be included within the scope of the audit. The audit will also include the transfer of data from SCS and EE feeder systems.	16	Risk	FS&P Risks Register	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Accounts Receivable	An annual audit to provide assurance that debtor income is identified recorded and collected in a timely and efficient method. The audit will also review other debt management procedures including the cancellation and writing off of debts. The scope will cover debts managed corporately on SAP and those relating to Adult Social care managed through the Abacus System. The audit will also include procedures at local sites responsible for raising debtor invoices.	12	Risk	FS&P Risks Register	High
Budget Setting	The audit will cover both the corporate process and continue to focus on testing within directorates, ensuring over a three year period that all directorates are covered. The scope of the audit will include review of the identification of efficiency savings, providing assurance on processes to ensure realistic assumptions are made.	16	Risk	FS&P Risks Register	High

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Budgetary Control	<p>The audit will test compliance with the key controls to give assurance that expenditure is being properly controlled, to deliver the required outcomes, within the limits of the budget allocated. Corporate reporting will be tested, with Directorate testing on a cyclical basis. To form an opinion for 2010/11 the following areas will be included within the scope of the audit:</p> <ul style="list-style-type: none"> - ICT budget setting and budgetary control. - CYPF budgetary control, following up on issues arising from 2009/10 audit of CYPF Governance. - SCS budgetary control. - Facilities Management budget once responsibilities transferred to E&E. 	24	Risk	FS&P Risks Register	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Main Accounting / General Ledger	This is an annual audit, testing the key controls to provide assurance that financial transactions are properly recorded to enable the production of timely and accurate statement of accounts, and management accounts. The planned days also provides for a review of non SAP feeder systems, ensuring there are adequate and effective controls in place to give assurance on the accuracy and integrity of data being transferred into SAP Accounts Payable, Account Receivable and the General Ledger.	16	Risk	FS&P Risks Register	High
Treasury Management	An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	12	Risk	FS&P Risks Register	High
Capital Accounting	An annual review to test the key controls to provide assurance over the accuracy and integrity of capital financing and capital transactions.	12	Risk	FS&P Risks Register	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Pensions Administration	An annual review to test the key controls providing assurance that members' records are accurately maintained, and that payment through the pension's payroll are accurate and made on a timely basis to legitimate pensioners only. This audit will also consider the processes for the admission and withdrawal of organisations to and from the pension fund.	12	Risk	FS&P Risks Register	High
Pensions Fund	An annual review to test the key controls providing assurance that the pensions fund is being properly managed, with funds invested securely maximising investment opportunities.	12	Risk	FS&P Risks Register	High
Cash Receipting	A review to provide assurance that cash is managed throughout the organisation in a controlled way which is consistent with the requirements of SAP working practices and Financial Regulations.	8	Risk	FS&P Risks Register	Medium
TOTAL KEY FINANCIAL SYSTEMS		152			
SHARED SERVICES					

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Shared Services Risk Management and Internal Control Framework	Shared Services new framework for monitoring performance, risk and internal control is planned to be operational from April 2010. Internal Audit will provide assurance that the system is operating effectively, ensuring the management controls and escalation processes are in place.	5	Risk	AHoF(Audit) / Head of Service	Medium
Fairer Charging	The audit will provide assurance on the financial assessment processes for fairer charging. The scope will include the new mobile working procedures for undertaking financial assessments.	8	Risk	AHoF (Audit)	Medium
Money Management	The audit will provide assurance on the adequacy and effectiveness of Money Management processes following the implementation of the new system.	8	Risk	AHoF (Audit)	Medium
Schools Support and Technical	This is included under the Schools Assurance section of the plan.	-	-	-	-
Quest Cleaning Services and Food with Thought	This area will be covered as part of the audit of CYPF Safer Recruitment, reviewing the recruitment procedures implemented in both Shared Services and CYPF.	-	-	-	-

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
TOTAL SHARED SERVICES		21			
CHILDREN YOUNG PEOPLE AND FAMILIES					
Safer Recruitment	This audit will be cross cutting across the Directorate and will look to provide assurance that recruitment policies and procedures are in place and working effectively. The audit will include Quest Cleaning and Food with Thought, and the controls implemented by both Shared Services and CYPF.	12	Risk	Director, Heads of Service & CYPF Risk Register	High

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Safeguarding / Integrated Children's System	<p>This audit will be cross cutting across the Directorate and will look to provide assurance that safeguarding, framework, policies and procedures are working effectively.</p> <p>The audit will look to place assurance on the CYPF quality assurance framework, reviewing the scope, adequacy and reporting mechanisms within this process.</p> <p>The audit will include follow-up of the audit completed in 09/10 of Safeguarding – training.</p> <p>The audit for 2010/11 will be review of the Integrated Children's System, providing assurance on the processes from referral to care provision, for capturing, maintaining and reporting on data and therefore how the system is contributing towards Safeguarding objectives of the Directorate.</p>	30	Risk	Director, Heads of Service & CYPF Risk Register	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Dedicated Schools Grant / CYPF Grants	There is planned strategic review of DSG monies. An audit will be completed following this review and the financial restructure within CYPF to provide assurance that CYPF grants are clearly allocated and embedded within the new budgets and there are clear processes in place to ensure monies are used appropriately and accounted for correctly.	16	Risk	Finance Business Partner / AHoF (Audit)	High
Disability Services	The audit will provide assurance over the eligibility criteria applied when determining packages of support, the procedures for collection of Health contributions, and the adequacy of overall budgetary control processes.	12	Risk	Head of Service	High
Children's Centres	<p>The audit will provide assurance on the overall governance and financial monitoring arrangements in place for Children's Centres.</p> <p>The scope of the audit will also include a compliance visit to a sample of 2-3 centres to review their financial processes and controls.</p>	16	Risk / Compliance	Finance Business Partner	Medium

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Learning Skills Council	The Learning Skills Council is being disbanded with effect from 1 April 2010, with some of the funding and governance responsibilities for this area being transferred to Oxfordshire. A programme of audit work will be determined to provide assurance over the use of the funding received, via the established providers.	78	Risk	Head of Service / AHoF (Audit)	High
CYPF Contract Procurement and Contract Management	This is an annual audit which will provide assurance on contract procurement and contract management processes within CYPF.	17	Risk	Head of Service	High
Contact Point	The audit will provide assurance on the processes for providing secure access to the Contact Point system for key staff within OCC and its Partner Agencies.	12	Compliance	AHoF (Audit)	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
School Improvement Partners	<p>The audit will look to provide assurance on the system of School Improvement Partners, how their effectiveness and impact, in particular on educational attainment, is measured, reported and monitored.</p> <p>The audit will include follow up on the School Development Audit undertaken in 2008/09, which covered some of the School Improvement Partner processes.</p>	12	Risk	Head of Service	Medium
CYPF Budgetary Control	This will be included in the main budgetary control audit, under Key Financial Systems.	-	-	-	-
TOTAL CYPF		205			
SCHOOLS ASSURANCE					

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
FMSiS / Audit	The DCFS are continuing with FMSiS, and the requirement that schools are reassessed at least every three years is mandatory. A service level agreement has been agreed between Internal Audit and Schools Forum for Internal Audit to deliver an integrated audit and FMSiS external Assessment for each school over a three year period. 2010/11 is the first year of this three year programme.	481	Compliance	AHoF (Audit)	Medium
SAP to schools	From April 2010 all schools will be using SAP as their financial management system. Internal Audit will look to provide assurance that financial processes and controls are in operation and working effectively following the final stage of roll-out to schools.	16	Risk / Compliance	AHoF(Audit) / Finance Business Partner / Director	Medium
Schools Support and Technical	The Schools Support and Technical Team is the main provider of assurance on the performance of financial management at schools. This is an annual audit.	12	Risk	FS&P risk register	High
TOTAL SCHOOLS ASSURANCE		509			
COMMUNITY SAFETY					

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Emergency Planning	The audit will look to provide assurance over the system in place for Emergency Planning within Oxfordshire, reviewing the implementation of the proposed integration between Oxfordshire County Council and the District Councils.	12	-	-	-
TOTAL COMMUNITY SAFETY		12			
ENVIRONMENT & ECONOMY					
Restructure Governance Review	<p>Transport will be re-structured during 2010/11, following the implementation of the new Highways contract. The restructuring then may be considered for the rest of the directorate in the following financial years.</p> <p>Internal Audit will provide assurance on the new governance and financial management arrangements once implemented, and prior to other restructuring being undertaken.</p>	12	Risk	Finance Business Partner / Head of Service	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Property Services Contract Procurement and Contract Management	Internal Audit will seek to take assurance on property maintenance and building works through auditing the adequacy and effectiveness of the contract procurement and management arrangements. The scope of the audit will include the new framework contractors for consultancy. The audit will also include local payment processing systems.	16	Risk	AHoF (Audit) / Head of Service	High
Oxfordshire Transport Contract Procurement and Contract Management	Internal Audit will seek to take assurance on highways maintenance and building works through auditing the adequacy and effectiveness of the contract procurement, contract management, and contract payment arrangements.	16	Risk	AHoF (Audit) / Head of Service	High
Oxfordshire Highways Contract	Internal Audit will review the operational processes designed for the new contractors prior to implementation of the new Highways Contract on 1 July 2010.	24	Risk	Head of Service	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Waste Management Contract Management	<p>Internal Audit will seek to take assurance on waste management contracts through auditing the adequacy and effectiveness of the contract procurement, contract management and contract payment arrangements.</p> <p>Internal Audit will also provide assurance on the procurement activity relating to the Waste Treatment Project; however the timing of this will be determined once timescales for appeal against planning refusal are known.</p>	16	Risk	AHoF (Audit)	High
Energy billing	The audit will provide assurance on the processes in place for the approval of payments for energy billing and budget monitoring/ contract monitoring procedures.	12	Risk	Head of Service	Medium
E&E Planning System	The audit has been deferred from 2009/10 Internal Audit Plan, as the system was not implemented until the final quarter. The audit in 2010/11 will provide assurance on the adequacy and effectiveness of the new system in operation.	8	Risk	Head of Service	Medium

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Facilities Management service	This audit was deferred from 2009/10 as the implementation was delayed – this will now be included within the audit of Budgetary Control for 2010/11, included under Key Financial Systems.	-	-	-	-
TOTAL ENVIRONMENT & ECONOMY		104			
CORPORATE CORE					
<i>Partnerships</i>					
Voluntary Sector Grants and Donations	The audit will focus on the process and method for allocating grants and donations to voluntary sector organisations and the outcomes achieved by these organisations.	8	Risk	Corporate Partnerships Manager / Risk Register	High
Thematic Partnership Arrangements	The audit will review the arrangements in place for the seven thematic partnerships, in terms of outcomes, and the quality of their processes for performance and financial management.	8	Risk	Corporate Partnerships Manager / Risk Register	High

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Partnership Governance Arrangements	The audit will focus on the governance arrangements in place for other key partnerships where the Council is involved. This will include assessing the performance and financial management arrangements in place in achieving the partnerships outcomes.	20	Risk	Corporate Partnerships Manager / Risk Register	Medium
<i>Policy and Performance</i>					
LAA2 Data Quality	This audit will review the robustness, accuracy and integrity of data used to monitor key performance indicators supporting the delivery of the LAA2.	12	Risk	Head of Strategy / Risk Register	High
LAA1 Reward Grant	The audit will focus on the accuracy and reliability of the supporting data in relation to the Council's LAA1 Reward Grant claim.	5	Risk	AHoF (Audit)	High
Performance Management	Internal audit will work with the Policy and Performance team to provide assurance over the Council's performance monitoring and reporting arrangements.	16	Risk	Head of Strategy / Risk Register	High

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Project Management	Internal audit will work with the Policy and Performance team to provide assurance that the Councils project management guidelines are being properly applied, and that effective governance arrangements exist to ensure projects are properly prioritised, co-ordinated, funded and monitored.	20	Risk	AHoF (Audit)	High
Human Resources & Organisational Development					
HR Organisational Management	A new database is due to be introduced in April 2010 which will provide management with organisational HR data. The audit will review the accuracy of data within the system and the processes designed to provide the management information.	16	Risk	Head of Human Resources and Organisational Development	High
Sickness Management	The audit will focus on the system for capturing and recording the sickness levels in the Authority and the process for reporting sickness corporately.	12	Risk	AHoF (Audit)	Medium

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Teachers Pensions Contributions	The audit will review the process for calculating teacher’s pension contributions and the method for transferring data to external organisations.	8	Verification	AHoF (Audit)	Medium
SAP Self Service	The audit will focus on reviewing progress of the SAP Self Service project and the design of new process once the employee self service system has been implemented.	12	Risk	Head of Human Resources and Organisational Development	High
Legal & Democratic Services					
Corporate Governance	On a cyclical basis internal audit will review compliance with Governance Standards as published by CIPFA / SOLACE, including compliance with the councils own Local Code.	12	Risk	Head of Legal and Democratic Services	High

Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Data Protection	This audit will consider compliance with the data protection act in two directorates, and will use the Data Protection – Complete Audit Guide, produced by the Information Commissioner as the best practice against which compliance will be measured.	8	Verification	Head of Legal and Democratic Services	Medium
Internal Control Checklist verification	This audit will support and challenge the process for completing the ICC's in directorates including verification of sources of evidence, to give assurance over the robustness and reliability of the process.	8	Verification	AHoF (Audit)	High
Non-compliance with Contract Procedure Rules	This proactive fraud work will focus on identifying non-compliance with the Council's Contract Procedure Rules, the reasons for non-compliance, the implications of any identified issues and the actions required to address weaknesses.	12	Fraud	Head of Legal and Democratic Services / AHoF (Audit)	High
TOTAL CORPORATE CORE		177			
SOCIAL & COMMUNITY SERVICES					

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Transforming Social Care	This is a major programme for SCS. Internal Audit will provide advice and consultancy as required, and assurance to the board on controls as new business systems are developed.	24	Consultancy / Risk	Risk Register / Director for Social and Community Services	High
Pooled Budget Management	The audit will look at the governance and management of the pooled budgets for which Oxfordshire is the administering authority.	8	Risk	Head of Social Care for Adults	Medium
Care Service Commissioning and Performance	The audit will focus on reviewing the processes for procuring and commissioning care services, including the monitoring of provider performance and management of service complaints to ensure the Council's duty of care requirements are met.	32	Risk	Risk Register / Director for Social and Community Services	High
Care Purchasing	The review will look at the whole care management process including payments for a sample of cross cutting clients, focus on financial controls and also data recording and data quality.	16	Risk	AHoF (Audit)	High

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
SCS Safeguarding	The audit will provide assurance that safeguarding, framework, policies and procedures are working effectively within the Directorate.	12	Risk	Risk Register / Director for Social and Community Services	High
Extra Care Housing Projects	The audit will focus on review the project to deliver extra care housing accommodation in Oxfordshire, utilising the award of external funding.	12	Risk	Head of Strategy and Transformation	Medium
Aids and Adaptations	This proactive fraud work will focus on identifying applications for aids and adaptations and whether the applications are appropriate and correct.	8	Fraud	AHoF (Audit)	Medium
Client Charging	The audit will focus on the link with care purchasing and involve substantive testing of a sample of clients, including third party billing and health payments.	16	Risk	AHoF (Audit)	Medium
Total for SCS		128			
Total for IT Audit	Audits to be confirmed	100			
OTHER					

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Audit Area	Scope / Objective	Planned Days	Type of Audit	Risk Source	Significance
Counter Fraud	Time is allocated to continue work on the implementation of the Fraud Action Plan, the 2010/11 NFI exercise, undertaking additional proactive testing on areas with an inherent risk of fraud, raising awareness of fraud and corruption issues, and undertaking investigations if necessary.	105	-	-	-
Contingency, General Advice and Guidance	To maintain a good customer focus, days are allocated in the audit plan to respond to ad-hoc requests for advice and guidance around internal controls matters.	150	-	-	-
Follow Up	In accordance with the audit strategy, time is allocated to follow up management actions on a timely basis.	115	-	-	-
09/10 Overrun	Time is allocated for the completion of the 09/10 planned activity.	45	-	-	-
Audit Management	To manage the audit assignments including advice and support to the Auditors, and to complete the quality assurance process.	159			
Total for Other		574			
Total Audit Days		1982			

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APPENDIX B PERFORMANCE INDICATORS 2007/08

	Performance Measure	Target	Frequency of reporting	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)	Every Quarter to AWG	Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Every Quarter to AWG	Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days (Except Schools Audits)	Every Quarter to AWG	Internal Audit Performance Monitoring System
4	% of Internal Audit Planned Activity delivered against that planned to be achieved for the period.	100% of Plan by End of April 2010	Annual Report. Every AWG comparing % actual against the % of year elapsed.	Internal Audit Performance Monitoring System
5	Hours charged to audits compared to budgets	All audits delivered within budget	Every Quarter to AWG	Internal Audit Performance Monitoring System
6	% of Priority 1 and 2 recommendations followed up after implementation date	All priority 1 and 2 recommendations followed up within three months of the date of expected implementation	Every Quarter to AWG	Internal Audit Performance Monitoring System

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7	% of recommendations implemented within the agreed timescales	90% of all recommendations	Every Quarter to AWG	Internal Audit Performance Monitoring System
8	Improved assurance opinion for second and subsequent audits	Improvement	Annual Report	Internal Audit Performance Monitoring System
9	Customer satisfaction questionnaire (Audit Assignments)	average score of <2	Every Quarter to AWG	Questionnaire
10	Directors satisfaction with internal audit work	Satisfactory or above	Annually - review of the effectiveness of IA	Questionnaire
11	Extent of reliance External Audit can place on Internal Audit	Reliance placed on IA work	Annual Report by KPMG	KPMG report

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Division(s): N/A

AUDIT COMMITTEE – 3 MARCH 2010

CIPFA GUIDANCE AND SCRUTINY

Report by Head of Strategy

Background

1. CIPFA have published guidance to audit committees in their publication Audit Committees, Practical Guidance for Local Authorities. As part of this guidance CIPFA recommend that an audit committee should:
 - (a) Have clear right of access to committees, including scrutiny committees; and
 - (b) Ensure that it is aware of the work of scrutiny and other committees so that it can take account of issues relevant to its areas of interest.
2. This report sets out to present the current scrutiny structure, how the work programme of scrutiny committees is decided and arrangements to ensure the CIPFA guidance is met.

Scrutiny Structure

3. There are currently six Scrutiny Committees:
 - (a) Adult Services
 - (b) Children's Services
 - (c) Growth & Infrastructure
 - (d) Safer & Stronger Communities
 - (e) Strategy & Partnership
 - (f) Oxfordshire Joint Health Overview & Scrutiny Committee¹
4. The remit of each committee is reflected in its name. Annex 1 gives further details on the remit of each committee.
5. Within their terms of reference, each Scrutiny Committee will:
 - (a) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
 - (b) make reports and/or recommendations to the Council and/or the Cabinet in connection with the discharge of any functions;
 - (c) consider any matter affecting the area or its inhabitants;

¹ It should be noted that the Oxfordshire Joint Health Overview & Scrutiny Committee is a joint committee with district councils.

- (d) exercise the right to call in, for reconsideration, decisions made but not yet implemented by or on behalf of the Cabinet.
6. Committees may undertake work through a number of methods, for example:
- (a) Review work – a review sub-group is chosen from the full committee to examine a particular issue through interviews with relevant officers and stakeholders and desk-based research. The work is written up into a formal report with recommendations made to the Cabinet and other relevant bodies.
 - (b) Select Committees – A single event in which officers, subject experts and other relevant stakeholders are called in for a detailed select committee styled debate to understand and progress the issue. Bringing all stakeholders together for a joined-up discussion often allows the issue to be progressed quickly.
 - (c) Question and Answer sessions – not all work areas require an in depth review, this option allows members to gain a quick understanding of a subject area through receiving a written/verbal update from officers and having the opportunity to ask questions. The Question and Answer session may then lead to further work if deemed necessary.
 - (d) Working Groups – This allows members to scrutinise longer term projects on an ongoing basis through attending key meetings and receiving regular updates. A working sub-group will be chosen to fulfil this function.
7. Outcomes are improved through a number of methods. For example, by having formal recommendations to the Cabinet or partner organisations accepted, requesting officers to return to the committee to provide progress reports and developing working groups to provide input and challenge to medium- and long-term projects.
8. All committees have cross party membership and typically meet six times each year.

Work Programme

- 9. Each committee is responsible for setting their work programme. Where matters fall within the remit of more than one scrutiny committee the Chairman of the relevant committees will determine which of them will assume responsibility for the issue.
- 10. The work programme is based upon a number of information sources. For example, work areas suggested by members, work areas suggested by Directors and senior officers, policies expected to be introduced in the near future and relevant consultations.

11. The Policy Unit takes suggestions and provides further background and context to suggested work areas. For example, their relevance to corporate priorities, related work currently underway across the council and relevance to partnership work areas.
12. These developed suggestions are then taken back to the committee so that the final work programme can be agreed on a fuller set of information.
13. Items in the work programme are scheduled through a forward plan for each scrutiny committee. This is a working document, being updated at the end of each committee meeting. This provides sufficient flexibility to accommodate new agenda items, for example, when there is a request for a call in of a cabinet decision.

Meeting CIPFA Guidance

14. The CIPFA guidance recommends that the Audit Committee have clear access to Scrutiny Committees and that it is aware of the work of Scrutiny Committees so that it can take account of issues relevant to its areas of interest.
15. This recommendation made by CIPFA is already being met. In particular:
 - (a) Minutes and accompanying papers from each Scrutiny Committee meetings are available to all members through our public website.
 - (b) These minutes include reference to the agreed work plan for each Committee.
 - (c) Recommendations made as a result of delivering the work plan are also captured through minutes and accompanying papers from each Committee.

TRACY LUCK
Head of Strategy

Background Papers: Nil

Contact Officer: Tracy Luck Tel: (01865) 816383

16 February 2010

Scrutiny Committee Remits

Committee	Responsibilities
(a) Strategy & Partnerships Scrutiny Committee (covers the remits of the Leader of the Council (excluding the responsibilities listed under Growth & Infrastructure Scrutiny Committee);	Corporate and community leadership; corporate strategies; strategic communications; finance; property
Deputy Leader of the Council;	Local strategic partnerships and District Council liaison; regional issues
Audit, Democracy & Organisation and Pension Fund Committees)	Council policy co-ordination; Council business management;
	Economic development and tourism; skills (strategic approach including adult learning); procurement; governance; performance; legal & democratic services; members' services; Human Resources; information & communications technology; change programme
	Localities-focused work; community cohesion; equalities and social inclusion; voluntary and community sector
	The elections and appointments functions of the Democracy & Organisation Committee
	The functions of the Pension Fund Committee
(b) Children's Services Scrutiny Committee (covers the remits of the Cabinet Members for Children, Young People & Families and Schools Improvement	Services for children, young people & families; preventative services; child protection; family support; educational policy; youth justice; youth service; breaking the cycle of deprivation
	Primary & secondary schools; special education; pupil services; school transport; music service

- | | |
|---|--|
| <p>(c) Safer & Stronger Communities Scrutiny Committee
 ² (covers the remit of the Cabinet Member for Safer & Stronger Communities and specified functions of the Planning & Regulation Committee)</p> | <p>Community Safety; anti-social behaviour; crime and disorder (including the fear of crime); fire & rescue; consumer protection; emergency planning; police issues; coroner's service; travellers; drugs and alcohol awareness; adult learning service; libraries; museums and heritage; the arts; archives; leisure and recreation; registration service</p> <p>Those regulatory functions of the Planning & Regulation Committee not falling within the remit of the Growth & Infrastructure Scrutiny Committee</p> |
| <p>(d) Growth & Infrastructure Scrutiny Committee (covers the remits of the Leader of the Council (excluding the responsibilities listed under the Strategy & Partnerships Scrutiny Committee), Cabinet Members for Transport Implementation and Growth & Infrastructure and specified functions of the Planning & Regulation Committee)</p> | <p>Strategic Planning; implementation of schemes for transport; highways; traffic and parking; road safety; public passenger transport; flooding</p> <p>Regional planning and local development framework; housing; economic development; skills; waste management; environmental management; archaeology; access to the countryside; tourism; clean and green; climate change</p> <p>The planning, highways, rights of way and commons/village greens functions of the Planning & Regulation Committee</p> |
| <p>(e) Adult Services Scrutiny Committee (covers the remit of Cabinet Member for Adult Services)</p> | <p>Adult social services; health issues</p> |

² This committee has the power to review and scrutinise, and make reports or recommendations, regarding the functioning of the responsible authorities (local authorities, fire and rescue authorities, police authorities, the police, primary care trusts) which comprise a Crime & Disorder Reduction Partnership/Community Safety Partnership - in accordance with the Police and Justice Act 2006 (as amended by the Crime and Disorder (Overview and Scrutiny) Regulations 2009).

(f) **Oxfordshire Joint Health Overview and Scrutiny Committee**

The Committee and its sub-committees will discharge the functions conferred by Section 21 of the Local Government Act 2000 (as modified by Section 7 of the Health and Social Care Act 2001 and associated Regulations and Guidance).

To review or scrutinise within the agreed framework, health services commissioned or delivered in Oxfordshire, or jointly with any other local authority where such services are commissioned outside Oxfordshire but are delivered to the inhabitants of the County.

To receive and consider any matter referred to the Committee by a Patients Forum by virtue of powers under the NHS Reform and Health Care Professions Act 2002.

To review or scrutinise any other issues related to health and the population of Oxfordshire.

AUDIT COMMITTEE – 3 MARCH 2010

WORK PROGRAMME UPDATE/REVIEW 2010/11

2010

21 April

Election of Chairman & Deputy Chairman

Review of the Effectiveness of the System of Internal Audit 2009/10
(Peter Clark)

Financial Management Action Plan
Progress to date and feedback
(Georgina Paton)

30 June

Internal Audit Services – Annual report 2009/10
(Ian Dyson)

Annual Governance Statement 2009/10
(Peter Clark)

Statement of Accounts 2009/010
(Sue Scane)

Interim Opinion Report
Annual Audit & Inspection Plan – Audit 2009/10;
(Audit Commission)

Audit Working Group – AWG Chairman's Annual Review of Activities 2009/10

22 September

Risk Management Annual Report
(Risk & Performance Adviser)

Final Statement of Accounts 2009/10:

- Annual Report to those charged with governance 2009/10 (OCC)
- Use of Resources Report (if appropriate)
- Annual Report to those charged with governance 2009/10 (OCC Pension Fund Accounts))
- Statement of Accounts 2009/10 Audit Adjustments
(Audit Commission)
- Letter of Representation to the Auditors
(Sue Scane)

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

17 November

Treasury Management Governance – Annual Report
(Sue Scane)

2011

19 January

Annual Audit Letter 2009/10
(Audit Commission)

International Financial Reporting Standards (IFRS) - Update
(Sue Scane)

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

Audit Committee - Draft Work Programme 2011/12
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

02 March

Annual Audit & Inspection Letter 2009/10
(Audit Commission)

Internal Audit Services: Internal Audit Strategy & Annual Plan 2011/12
(Ian Dyson)

2010 Annual Report of the Audit Committee to Council
(in accordance with the process adopted by the Committee on 29 November 2006)

Other matters

None identified

Regular Reports:

Audit Working Group
(Ian Dyson)

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

Background Papers Nil

Contact officer: Geoff Malcolm, Principal Committee Officer
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February 2010