

To: Members of the Audit Committee

## ***Notice of a Meeting of the Audit Committee***

**Wednesday, 16 November 2011 at 11.00 am**

**County Hall**



Peter G. Clark  
County Solicitor

November 2011

Contact Officer: **Geoff Malcolm,**  
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### **Membership**

Chairman – Councillor David Wilmshurst  
Deputy Chairman - Councillor Charles Mathew

### *Councillors*

Alan Armitage  
Tony Crabbe  
Roy Darke

A.M. Lovatt  
Larry Sanders  
C.H. Shouler

Lawrie Stratford

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### *Co-optee*

Dr Geoff Jones

### **Notes:**

- **10.00am-10.50am (prior to the Committee meeting). Informal pre-meeting briefing for all members: 'Highways & Transport' in Meeting Room 2**
- **The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio**
- **The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items**
- **A working lunch will be available**
- **Date of next meeting: 18 January 2012**

## Declarations of Interest

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

### **The duty to declare ...**

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

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

### **Whose interests are included ...**

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

### **When and what to declare ...**

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

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

### **Taking part if you have an interest ...**

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

### **"Prejudicial" interests ...**

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

### **What to do if your interest is prejudicial ...**

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

### **Exceptions ...**

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

### **Seeking Advice ...**

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

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

# AGENDA

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

To approve the minutes of the meeting held on 21 September 2011 (**AU3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Audit Commission** (Pages 7 - 18)

11:10

Annual Audit Letter 2010/11 (**AU5**); and

Audit Commission Progress Report (oral report)

A representative of the Audit Commission will attend for these items.

6. **Audit Working Group - 3 November 2011** (Pages 19 - 32)

11:30

Report by Assistant Chief Executive & Chief Finance Officer (**AU6**)

The report summarises the matters arising at the most recent meeting of the Audit Working Group (AWG), and includes three recommendations. In particular, the report highlights potential changes to the Corporate Governance Framework which have been considered by the Working Group and which the Committee is asked to approve. One proposed change is the potential removal of 'Partnerships' as a corporate process with the consequent implication that there would, in future, be no corporate lead assurance statement. Other changes are more minor and relate largely to changes in post titles. The proposed revisions are highlighted Appendix 2 to the report.

***The Committee is RECOMMENDED to:***

- a) ***agree the pre meeting development session for the meeting on 18 January should be a briefing on the Adult Information System (AIS) project;***
- b) ***approve the revised Corporate Governance Assurance Framework; and***

- c) ***agree the cancellation of the AWG on 5 January 2012.***

## **7. Risk Management Annual Review**

11:50

The Risk Management Annual Review (**AU7** (circulated separately)) summarises progress in this area since October 2010. It also provides an outline of the way ahead for the coming 12 months.

Progress is reported against the key workstreams and improvement plan. An assessment of the new assurance process for risk management is provided.

The report sets out the planned approach to risk management for the coming year and sets out key milestones for activity.

***The Committee is RECOMMENDED to:***

***(a) note the progress to date; and***

***(b) provide any feedback on the report.***

## **8. Treasury Management Mid Term Review 2011-12 (Pages 33 - 44)**

12:10

Report by Assistant Chief Executive & Chief Finance Officer (**AU8**)

The report sets out the Treasury Management activity undertaken in the first half of the financial year in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, an update on Prudential Indicators, changes in Strategy, any Breaches of approved Strategy and a forecast of interest receivable and payable in the financial year.

The Cabinet on 15 November 2011 is recommended to note the report and to recommend Council to note the Council's Mid Term Treasury Management Review 2011/12.

The Committee receives the Review for consideration and comment.

12:30 **Working lunch**

## **9. Annual Governance Statement - Action Plan Progress (Pages 45 - 52)**

12:40

Report by the Monitoring Officer & Head of Law & Governance (**AU9**)

The 2010/11 Annual Governance Statement and action plan for 2011/12 was approved by the Audit Committee in July 2011. Progress against the action plan is monitored by the Corporate Governance Assurance Group, and reported to the Audit Working Group. Due to the full agenda for the November Audit Working Group, the update is instead being presented to the Audit Committee to note progress made.

***The Committee is RECOMMENDED to note the report.***

**10. Audit Committee Involvement With The Scrutiny Function (Pages 53 - 56)**

1:00

Report by County Solicitor & Monitoring Officer (**AU10**)

At its last meeting, the Committee asked for clarification as to the involvement of the Audit Committee in the Council's scrutiny function. This report outlines the complementary nature of the two functions and indicates a potential means of closer liaison.

***The Committee is RECOMMENDED to ask that the Annual Report of Scrutiny Committees is received by the Audit Committee in draft form each year for comment.***

**11. Business Strategy**

1:20

The Assistant Chief Executive & Chief Finance Officer will give an oral update on key matters in the Cabinet's Financial Monitoring and Business Strategy Delivery Report.

***The Committee is RECOMMENDED to note the report.***

**12. Audit Committee Work Programme - Review / Update (Pages 57 - 58)**

1:40

To review / update the Committee's Work Programme (**AU12**).

**1:45 Close of meeting**

***An explanation of abbreviations and acronyms is available on request from the Assistant Head of Finance (Audit).***

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Thursday 10 November 2011** at **2:00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

## AUDIT COMMITTEE

**MINUTES** of the meeting held on Wednesday, 21 September 2011 commencing at 11.00 am and finishing at 1.20 pm

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair  
Councillor Charles Mathew (Deputy Chairman)  
Councillor Alan Armitage  
Councillor Tony Crabbe  
Councillor A.M. Lovatt  
Councillor John Sanders (In place of Councillor Roy Darke)  
Councillor C.H. Shouler  
Councillor Lawrie Stratford

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

**Other Members in Attendance:** Councillor Nick Carter  
Councillor Jim Couchman

**By Invitation:** Mary Fetigan & Maria Grindley, Audit Commission

**Officers:**

Whole of meeting Peter Clark, Head of Law & Governance, Sue Scane, Assistant Chief Executive & Chief Finance Officer, Ian Dyson, Chief Internal Auditor, Geoff Malcolm, Committee Officer

Part of meeting Stephanie Skivington (Item 6)

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

### 43/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology from	Substitute
Councillor Roy Darke	Councillor John Sanders
Councillor Larry Sanders	-

#### **44/11 MINUTES**

(Agenda No. 3)

The Minutes of the meeting held on 7 July 2011 (AU3) were approved and signed.

Matter arising from Minute 41/11

Councillor Armitage confirmed that the discussion had taken place. The Committee asked the Monitoring Officer to report to the 's next meeting in order to clarify Audit Committee involvement with the scrutiny function.

#### **45/11 AUDIT COMMISSION**

(Agenda No. 5)

(The Committee took Agenda Items 5 & 6 together; for ease of reference the items are minuted separately).

The Committee considered:

the Annual Governance Report 2010/11 (Oxfordshire County Council);

the Annual Governance Report 2010/11 (Oxfordshire County Council Pension Fund) (**AU5**); and

an addendum (a copy of which is attached to the signed Minutes).

Ms. Grindley, Audit Commission presented the Reports which summarised the findings from the 2010/11 audit, which was substantially complete. No weaknesses were found and she commended the Council's staff for putting early arrangements in place for the implementation of the new international financial regulations.

The Committee considered the key messages in the Reports and took note of the adjustments to the financial statements, agreed (in respect of the OCC Report) with management's reasons for not amending the 2 extrapolated errors which the Commission had identified as set out in the draft letter of representation, and approved the letters of representation and the proposed action plans.

Members welcomed the two Audit Commission Annual Governance Reports and, with Councillor Jim Couchman, Cabinet Member for Finance & Property thanked the Audit Commission representatives for them.

Audit Commission Outsourcing Update:

At members' request Ms. Grindley and Ms. Fetigan then summarised the current position regarding the timetable for the outsourcing process, as follows:

Following confirmation of the outsourcing of all local audit work from 2012/13, the Audit Commission was now able to provide further details about the timetable for the principal bodies' and small bodies' procurements.

The table below provided the key milestones currently planned for each of the procurements. This was intended as a guide and while the Commission did not intend to depart from the timetable it reserved the right to do so at any stage.

Key milestone	Principal bodies' procurement	Small bodies' procurement
Issue Contract Notices in the Official Journal of the European Union	5 September 2011	5 September 2011
Issue pre-qualification questionnaires (PQQ) on request	From 5 September 2011	From 5 September 2011
Deadline for return of PQQs	7 October 2011	7 October 2011
Issue invitations to tender and anonymised TUPE information to selected suppliers	w/c 24 October 2011	w/c 7 November 2011
Deadline for submission of tenders	16 December 2011	6 January 2012
Approval of contract awards	w/c 20 February 2012	w/c 19 March 2012
Consultation with audited bodies on appointments	23 April - 13 July 2012	7 May - 6 July 2012
Approval of auditor appointments	w/c 23 July 2012	w/c 9 July 2012
Appointments for 2012/13 commence	1 September 2012	1 September 2012
Staff transfer to firms awarded contracts	31 October 2012	31 October 2012

**RESOLVED:** to note the reports.

#### 46/11 FINAL STATEMENT OF ACCOUNTS 2010/11

(Agenda No. 6)

The Committee considered the Final Statement of Accounts 2010/11 and the Management Representation Letter 2010/11 to the Auditors (**AU6**).

Ms. Skivington introduced the report and outlined the changes which had been made in line with the new international financial regulations. An addendum was circulated (a copy of which is attached to the signed Minutes) regarding the Pension Fund Accounts Note 1 - accounting policies basis of preparation, a new Note 21 – Financial Instruments, and a revised note 22 - Risk. She then responded to members' questions and comments including the treatment of reserves and grants under the new regulations.

The Committee, with Councillor Jim Couchman, Cabinet Member for Finance & Property, thanked the relevant Council staff for their excellent work on the introduction of the new Regulations and the Final Statement of Accounts.

The County Solicitor undertook to respond following the meeting to members' queries regarding asset transfer and the new Academies, and the current position of the Nettlebed School site.

**RESOLVED** to:

- (a) subject to the Chief Finance Officer finalising changes to the disclosure notes with the Audit Commission, approve the Final Statement of Accounts 2010/11 (signed by the Chairman of the Committee) for publication by 30 September 2011; and
- (b) approve the Management Representation Letter 2010/11.

**47/11 AUDIT WORKING GROUP - 8 SEPTEMBER 2011**

(Agenda No. 7)

The Committee considered a report (**AU7**) which summarised the main business items arising at the most recent meeting of the Audit Working Group (AWG), which were as follows:

AWG4 – Highways & Transport Action Plan Update\*  
AWG6 – Internal Audit – Issues & Follow-up Progress  
AWG7 – SAP Roles Update  
AWG8 – Fairer Charging Update

\*In relation to AWG 4 'Highways & Transport Action Plan Update' the Committee agreed, subject to Audit Working group consideration, to include in its Work Programme the Highways Contract (management actions) as an agenda item on 16 November 2011 and ask the Senior officers concerned to:

- arrange / attend an informal briefing for all Councillors on 16 November 2011 at 10am (prior to the Audit Committee at 11am);
- prepare and circulate the informal briefing note in advance of the meeting of the Audit Working Group on 3 November 2011; and
- attend the Audit Committee for this item on 16 November 2011.

**RESOLVED:** to note the report.

**48/11 INTERNAL AUDIT PLAN - QUARTER 3, 2011/12**

(Agenda No. 8)

The Committee considered a report (**AU8**) which presented the Internal Audit Plan for quarter 3, 2011/12.

In relation to 'Treasury Management Audit' Councillor Stratford spoke in favour of an enhancement of member training to support councillors in their Treasury Management scrutiny/challenge role.

**RESOLVED:** to

- (a) approve the quarter 3 Internal Audit Plan; and
- (b) note the progress with the Quarter 1 & 2 activity.

**49/11 LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF OXFORDSHIRE COUNTY COUNCIL**

(Agenda No. 9)

The Committee considered a report (**AU9**) which summarised the findings of the Local Government Ombudsman (LGO)'s Annual Review of Oxfordshire County Council for the year ended 31 March 2011. The Annual Review set out the nature of the issues considered by the Ombudsman and the Council's performance in handling them.

Mr. Clark introduced the report. There were no trends or issues of concern arising from the LGO's Review.

The Committee welcomed the overall positive findings of the Review.

**RESOLVED:** to note the report on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2010.

**50/11 AUDIT COMMITTEE WORK PROGRAMME - REVIEW / UPDATE**

(Agenda No. 10)

The Committee reviewed / updated it's Work Programme (**AU10**).

**RESOLVED:** to agree the Work Programme subject to:

16 November 2011:

- add: 'Clarification of Audit Committee involvement with the scrutiny function' (Monitoring Officer);
- add: 'Business Strategy: update & key extracts from the Cabinet's Financial Monitoring & Business Strategy Delivery report' (Chief Finance Officer); and
- delete: 'Financial Management Action Plan' (as the Committee had decided it was no longer required).

..... in the Chair

Date of signing .....

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# Annual Audit Letter

Oxfordshire County Council

Audit 2010/11



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# Key messages

- This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**
- **the audit of your financial statements; and**
  - **my assessment of your arrangements to achieve value for money in your use of resources.**
- I have included only significant issues in this report.**

## Key audit risk

Unqualified audit opinion



## Our findings

Proper arrangements to secure value for money



## Audit opinion and financial statements

I issued an unqualified opinion on your financial statements for 2010/11:

- a few amendments were made to the accounts;
- the overall quality of the accounts, working papers and officer support for the audit was particularly good.

## Value for money

I issued an unqualified conclusion stating that you have adequate arrangements for securing economy, efficiency and effectiveness in the use of your resources. I am satisfied that you have proper arrangements in place for securing financial resilience given heightened financial pressures and for challenging how you secure value for money.

# Current and future challenges

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## You face major challenges because of increased financial pressures as well as doubt about future funding.

Table 1 sets out the most significant challenges and your response to them.

<p>Economic downturn and pressure on the public sector</p>	<p>You have recognised considerable financial pressures in the medium term from increasing service needs and reducing income streams. You have addressed these pressures with strengthened challenge and support at a corporate level to help ensure that savings plans are achievable. You have recognised areas where more needed to be done to set out a comprehensive and achievable plan for securing the savings and are taking action in these areas. As a result, despite £58.7 million of savings required in 2011/12 you remain on target to hit most directorate budgets with some small variances that are both similar to prior years and manageable.</p> <p>You have set out £62.7 million of further savings required from 2012/13 to 2014/15. The financial management arrangements you have put in place and then strengthened in 2010/11 means that you are well placed to deliver these targets.</p>
<p>Income streams</p>	<p>The government has made some changes to grant funding over the last 18 months. You have addressed the changes within your Medium Term Financial Plan and retained your financial resilience. The Local Government Resource Review is now considering the way that Local Government is funded. This is likely to lead to further changes to the way grant income is allocated from 2013/14. It is also possible that the new system itself may create a less predictable income stream when implemented. You recognise the uncertainty this creates and are well placed to deal with it.</p>

# Financial statements and annual governance statement

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**Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.**

## **Overall conclusion from the audit**

I issued an unqualified true and fair audit opinion on your financial statements for 2010/11. My audit identified a few errors that you amended your statements for but overall the level of errors was low.

2010/11 was the first year that the statements were required to be produced under International Financial Reporting Standards. This required a significant amount of additional work to prepare the accounting records. You approached the new requirements in a proactive and realistic way committing sufficient resources to the project. As a result your financial statements addressed the requirements well and you were able to provide particularly good working papers and evidence for audit.

I did not identify any significant weaknesses in the design or operation of internal control that might result in a material error in your financial statements.

# Value for money

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**I considered whether you are managing and using your money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that you have adequate arrangements.

My conclusion on each of the two areas is set out below.

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## Value for money criteria and key messages

### Criterion

#### 1. Financial resilience

**The organisation has proper arrangements in place to secure financial resilience.**

Focus for 2010/11:

The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

### Key messages

You have a history of strong financial management over the last few years and have managed financial risks well achieving a stable financial position. You strengthened your processes further in 2010/11 with increased corporate challenge and support. In particular you set up the Business Strategy Challenge Group and implemented additional monitoring reports that have increased scrutiny. You recognised a degree of risk against some of the savings areas and have taken or are taking action to address this. As a result, despite £58.7 million of required savings in 2011/12, you are on track to meet directorate budgets with only small and manageable variances arising to date. In addition, you are also well placed to meet the further £62.7 million of savings required up to 2014/15.

## Criterion

### **2. Securing economy efficiency and effectiveness**

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key messages

You have a history of understanding your costs well and using comparative service data to make value for money improvements. You have also consulted residents to inform your priorities and where savings should fall. In addition, the degree of member scrutiny and challenge of where and how savings will fall has been increased. These arrangements will help ensure that value for money is kept as strong as possible given the reduced resources.

# Closing remarks

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I have agreed this letter with the Chief Executive and the Assistant Chief Executive and Chief Finance Officer. I will present this letter at the Audit Committee on 16 November 2011 and will provide copies to all members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit fee letter	April 2010
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011

You have taken a positive and constructive approach to our audit. I wish to thank your staff for their support and co-operation during the audit.

Maria Grindley  
District Auditor  
November 2011

# Appendix 1 – Fees

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	Actual	Proposed	Variance
Code of Practice Fee	272,500	271,500	1,000
Non-audit work	0	0	0
<b>Total</b>			

The £1,000 additional fee related to review of severance cases.

# Appendix 2 – Glossary

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## **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



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## **AUDIT COMMITTEE – 16 November 2011**

### **REPORT OF THE AUDIT WORKING GROUP (AWG)**

The Audit Working Group met on 3 November 2011

The meeting was attended by:

Dr. Geoff Jones – Chairman; Cllr. David Wilmshurst; Cllr. Alan Armitage; Cllr. Charles Mathew; Sue Scane; Peter Clark; Ian Dyson; Claire Phillips; Sarah Cox; Neil Shovell.

Part meeting only: AWG4 Sara Livadeas and John Dixon; AWG5 Simon Kearey; AWG6 Steve Howell, Steve Smith, Andy Williams, and Peter Brown.

Observers: Cllr. Larry Sanders

Apologies: Cllr Roy Darke; Cllr Sandy Lovatt

### **AWG WORK PROGRAMME ITEMS**

The main business items of the meeting were as follows:

- AWG 4 SCS Safeguarding
- AWG 5 SCS Alert Service
- AWG 6 Highways and Transport
- AWG 7 CEF Safeguarding
- AWG 8 Internal Audit
- AWG 9 Corporate Governance Assurance Framework

### **MATTERS FOR REPORT TO THE AUDIT COMMITTEE:**

#### **SCS Safeguarding**

The Senior Officers confirmed to the Group the seriousness of the issues highlighted in the internal audit report, and the Group welcomed the commitment expressed by those officers to not only resolving the immediate issues, but to ensuring the solutions are sustainable over the long term. Management are implementing improved performance monitoring, including the top ten performance indicators, of which client reviews will be one, monitored by the Directorate Leadership Team. The Senior Officers emphasised the improvement in their risk management approach with information being key to ensuring that the right balance is achieved in the allocation of resources between the client assessment process and the review process; however, the Group acknowledged the Officer's view that whilst the restructuring of the Adult Social Care Service will facilitate the change, improving the overall service delivery and performance is not a short term project.

#### **SCS Alert Service**

The Group was briefed about various difficulties with the programme, particularly with the equipment contract. It was noted that a number of the actions arising from

the audit have been completed, with all actions to be completed by the end of the year. It was noted that all Alert Service clients will be on SWIFT by the end of December, with all financial assessments in process. The Senior Officer confirmed that he is monitoring the action plan, and is receiving regular reports that give him assurance that the actions taken are effective. The Senior Officer will provide a further report in which it is expected to show all actions completed, that will be circulated with the papers for the next AWG.

### **Highways and Transport**

The Group was satisfied that the information presented by the Officers addressed their questions and concerns expressed at the previous meeting. The information focussed on the operational processes, and the controls being applied, including a good monitoring process by the Management Team, informed by the Contract Manager. The Group had no further issues at this stage, and confirmed that they will await the outcome of the internal audit scheduled for November 2011 to provide the final assurance.

### **CEF Safeguarding**

The Internal Audit Manager summarised the scope of the internal audit, and the significance of key controls around staff supervision and the accurate and timely recording of data. The Group discussed the management report, including the progress against the action plan, noting that it is being monitored by Senior Officers, through their management meeting. The Group was satisfied with the action being taken, but noted that there were still risks arising until the new measures had been fully introduced and were working effectively. The Group had confirmation a follow up audit will be undertaken next year to provide assurance that the implementation of actions is complete and effective; in the interim the Group will receive assurance that actions have been implemented through the internal audit monitoring of actions, and by exception reports through the risk and performance reporting process should poor performance or issues arise.

### **Internal Audit – Emerging Issues**

The Chairman of the Audit Committee confirmed that he had written to the officer responsible for the long outstanding action to update the Schools Financial Manual of Guidance, but had not received a response. The Group was very concerned and the matter will be escalated to the Assistant Chief Executive and Chief Finance Officer to address.

The Group was informed that the project to implement the Adult Information System (AIS) had started in Social and Community Services. This is a key project referred to by both the Senior Officers in the discussion on SCS Safeguarding, and the Senior Officer who reported on the Alert Service. The Audit Committee are recommended to request a pre meeting briefing on the AIS Project, and its deliverables, and following that briefing to determine how it wants to monitor the project and its outcomes in the future.

### **Corporate Governance Assurance Framework (CGAF)**

The Group were informed that only minor changes are proposed to the Framework, mostly changes to post titles. The one change proposed to the existing framework is to remove “Partnerships” as a corporate process, and therefore there would be no corporate lead assurance statement. The rationale to remove partnerships is that we

no longer have a Partnerships Team or the structure of strategic and thematic partnerships in operation. There continues to be examples of partnership working, but the governance is embedded in the requirements of the other key control processes, for example risk management, performance management etc. The Groups views were sought on changes to the framework; there were no significant additional recommendations for change.

The proposed revisions to the CGAF are highlighted in bold large font in appendix 2 of this report. The Audit Committee is recommended to approve the revisions.

### **Work Programme**

The updated work programme is attached as appendix 1 to this report. It is proposed that the January meeting be cancelled as there are very few items, and the next scheduled meeting is the following month. The item on Annual Governance Statement Actions progress report would go to the Audit Committee on 18 January.

### **The Committee is RECOMMENDED to:**

- a) agree the pre meeting development session for the meeting on 18 January should be a briefing on the AIS project;**
- b) approve the revised Corporate Governance Assurance Framework; and**
- c) agree the cancellation of the AWG 5 January 2012**

SUE SCANE  
Assistant Chief Executive & Chief Finance Officer  
Corporate Core

Contact: Officer: Ian Dyson, Assistant Head of Finance (Audit) Tel 01865 323875  
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November 2011

## APPENDIX 1

### AUDIT WORKING GROUP WORK PROGRAMME 2011/12

2012

**Thursday 5 January – NOTE IT IS PROPOSED THIS MEETING BE CANCELLED**

- Quarterly Update AGS Action Plan – TBC
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Claire Phillips

**Thursday 16 February**

- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Claire Phillips
- **Alert Service – progress report – Simon Kearey**
- Progress report on issues arising from the External Audit Reports - TBC
- Draft work programme 2012/13 – 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)

Date to be determined:

- Fairer Charging Update

Last updated: 3 November 2011

Ian Dyson, Chief Internal Auditor 01865 323875

# THE CORPORATE GOVERNANCE ASSURANCE FRAMEWORK

## INTRODUCTION

### 1. Corporate Governance

- 1.1. The Audit Commission have defined corporate governance as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”.
- 1.2. They have further identified good corporate governance as including robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public.
- 1.3. In 2001 **the** Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), jointly with the Local Government Association and the Audit Commission set up a Corporate Governance Working Party to draw together the principles identified by Cadbury, Nolan and others into a single framework of corporate governance for use by Local Authorities. The revised framework published by CIPFA/SOLACE in June 2007 builds on governance work in both the public and private sector, in particular the “Good Governance Standard for Public Services” drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation. In England the preparation and publication of an annual governance statement in accordance with this Framework is now recommended to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006.
- 1.4. The framework adopts six core principles from the Good Governance Standard for Public Services 2004 (developed by the Independent Commission on Good Governance in Public Services).
  - 1.4.1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - 1.4.2. Members and officers working together to achieve a common purpose within clearly defined functions and roles
  - 1.4.3. Developing the capacity and capability of members and officers to be effective

- 1.4.4. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - 1.4.5. Taking informed transparent decisions which are subject to effective scrutiny and managing risk
  - 1.4.6. Engaging with local people and other stakeholders to ensure robust public accountability
- 1.5. These six core principles are further expanded in supplementary principles.
- 2. Code of Corporate Governance**
- 2.1. To achieve good governance, the Council should be able to demonstrate that its code of governance reflects the requirements for best practise outlined in the Framework.
  - 2.2. The Code is reviewed annually by the Growth and Infrastructure Committee (prior to 2010 by the Corporate Governance Scrutiny Committee.)

## **FRAMEWORK AND SOURCES OF ASSURANCE**

### **3. Annual Governance Statement**

- 3.1. The preparation and publication of an annual governance statement is recommended as proper practice to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. This requires that the Council conducts a review at least once a year on the effectiveness of its systems of internal control and produces a statement on its effectiveness “in accordance with proper practices”. With effect from 2007/08, the supplement to “delivering good governance framework” defines proper practice and defines the form and content of a governance statement that meets the requirement to prepare a statement on internal control. There is no requirement to publish a separate statement on internal control. The scope of internal control spans the whole range of the Council’s activities and includes controls designed to ensure:
  - 3.1.1. The establishment and monitoring of the Authority’s objectives
  - 3.1.2. The facilitation of policy and decision making
  - 3.1.3. Ensuring compliance with established policies, procedures, laws and regulations
  - 3.1.4. Ensuring that risk management is embedded
  - 3.1.5. Ensuring the economic, effective and efficient use of resources
  - 3.1.6. Financial management and reporting of financial management

3.1.7. Performance management and the reporting of performance management

3.2. In November 2010 the Audit Committee approved a change to the assurance process in order to reduce the administrative burden on Directorates whilst retaining a robust assurance process. The revised assurance process includes a statement at the year end from the “corporate lead officer”, for each of the key control areas listed below, which explains what systems they have in place to ensure internal control, and their assessment of the current position across the whole council, identifying areas for improvement where appropriate. The relevant corporate lead officer is shown in brackets after each control area.

3.2.1. Risk management (Corporate Performance and Review Manager in consultation with the risk leads group)

3.2.2. Business Continuity (County Business Continuity Officer in consultation with the business continuity stakeholder group)

3.2.3. Performance Management (Corporate Performance and Review Manager in consultation with directorate performance leads)

3.2.4. Financial Management (Chief Finance Officer in consultation with delegated Section 151 officers)

3.2.5. Legislation (Monitoring Officer in consultation with the monitoring officers group)

3.2.6. Human Resources (Head of Human Resources in consultation with HR business partners)

3.2.7. Health & Safety (County Health, Safety & Wellbeing Manager in consultation with directorate Health & Safety champions)

3.2.8. Procurement/Contracts (~~Assistant Head of Finance (Procurement)~~ **County Procurement Manager** in consultation with directorate leads)

3.2.9. Information Technology (~~Deputy Head of ICT Services~~ **Head of ICT Business Delivery** in consultation with ICT liaison managers)

~~3.2.10. Data Protection (Data Controller (Assistant Head of Legal & Democratic Services) in consultation with the directorate leads)~~

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3.2.11. Programme and Project Management (Corporate Performance and Review Manager in consultation with the directorate project leads)

### **~~3.2.12. Partnerships (Head of Partnership Working)~~**

- 3.3. The Corporate Governance Assurance Group will monitor the appropriateness of these mechanisms.
- 3.4. Internal Audit will provide an independent assessment of compliance with corporate processes for each Directorate.
- 3.5. Directors are required to review risk registers, corporate lead officers' assessments and Internal Audit's assessments, and to sign Certificates of Assurance annually to confirm that they have discussed the information contained in those documents, and to confirm that action is being taken to address any weaknesses identified.
- 3.6 Risk Registers, corporate lead officers' assessments on key control areas and Internal Audit's assessments are reviewed by the Corporate Governance Assurance Group, a group of Senior Officers, Chaired by the Monitoring Officer. Where the same weakness has been identified across a number of directorates, specific consideration will be given to treating this as a corporate issue. Where specific action may need to be taken to address the weakness, it will be contained in the action plan contained within the Annual Governance Statement. On preparation, the Annual Governance Statement together with progress on the identified action plan within the Statement is reported quarterly to the Audit Working Group. The Annual Governance Statement is compiled by members of the Corporate Governance Assurance Group drawing on the following information:
  - 3.6.1. Risk Registers compiled by **Deputy Directors** ~~Heads of Service~~ and endorsed by Directors
  - 3.6.2. Statements provided by corporate lead officers for key control areas as described in paragraph 3.2 above
  - 3.6.3. The view of Internal Audit
  - 3.6.4. The view of the External Auditor as contained within the Annual Audit letter and other Audit Reports
  - ~~3.6.5. The reports from external assessors as required by FMSiS (Financial Management Standard in Schools)~~**
  - 3.6.6. Reports by other independent inspection bodies
  - 3.6.7. The Audit Committee and Audit Working Group
  - 3.6.8. The report on the Role of the Chief Finance Officer in comparison to the CIPFA paper "The role of the Chief Financial Officer in public sector organisations"
- 3.7. In addition to the review of the system of internal control and its effectiveness the Corporate Governance Assurance Group also carries out a review of the

governance framework as set out in the Council's Code of Corporate Governance and considers the effectiveness of the framework.

- 3.8. The Annual Governance Statement is signed by the Chief Executive, Leader of the Council, Chief Finance Officer and Monitoring Officer.

#### **4. External Audit**

- 4.1. The Council's external auditors (currently the Audit Commission) undertake an annual audit of the financial statements and Annual Governance Statement in order to be satisfied that the accounts comply with statutory requirements, that proper practices have been observed in compiling the accounts and to express an opinion on the statement of accounts.

#### **5. Approval of Corporate Governance Policies**

- 5.1. The Cabinet on the 16 June 2004 authorised the Monitoring Officer, following consultation with the Section 151 Officer and Leader and Deputy Leader of the Council, to approve new or amended operational policies and procedures relating to Corporate Governance except where they would either:

- 5.1.1. have material budget implications;

- 5.1.2. have substantive policy implications; or

- 5.1.3. where material concerns about them have been expressed by the employee's representatives;

- 5.2. In which case they would be referred to Cabinet for decision.

### **DEFINITIONS OF OFFICERS, COMMITTEES AND GROUPS**

#### **6. Statutory Officers**

##### **6.1. Head of Paid Service**

- 6.1.1. The Head of Paid Service has responsibility to the Council for the manner in which the Council's functions are discharged and coordinated. In addition she has the responsibility for the number and grade of Officers required for the discharge of the functions and the organisation of Officers.

##### **6.2. Chief Finance Officer (S151 Officer)**

- 6.2.1. The Chief Finance Officer has responsibility for the proper administration of the Council's financial affairs which include:

- 6.2.1.1. expenditures within the law

- 6.2.1.2. the accounts are prepared in accordance with the law

6.2.1.3. the compilation of the accounts has followed proper accounting practices

6.2.1.4. ensuring effective financial controls are in place

6.2.2 The role of the Chief Finance Officer for Public sector organisations is also described in the CIPFA document “The role of the Chief Financial Officer in Public Sector Organisations.

### 6.3. **Monitoring Officer**

6.3.1. The Monitoring Officer has the statutory responsibility for independently reporting to the Council on any proposal or decision by the Council or any of its Committees or Officers which has given rise to or may give rise to a breach of the law or potential maladministration. The Monitoring Officer also plays a leading role in developing, monitoring and maintaining a system of corporate governance for the Council and in particular:

6.3.1.1. ensures that satisfactory arrangements are in place for maintaining the registers for Members registration of interests and gifts and hospitality in accordance with the Members code of Conduct.

6.3.1.2. conducts an annual review of the effectiveness of the internal audit function in accordance with the requirements of the Accounts & Audit Regulations 2003 (as amended).

6.3.1.3. ensures relevant corporate governance policies are up to date, including:

6.3.1.3.1. Constitution

6.3.1.3.2. Anti-Fraud and Corruption Policy

6.3.1.3.3. Raising Concerns At Work, Grievances and Whistleblowing

6.3.1.3.4. Money Laundering Policy

6.3.1.3.5. Officer Code of Conduct

6.3.1.3.6. Corporate Complaints Policy

6.3.1.3.7. Officer Register of Interests and Gifts and Hospitality

### 6.4. **Monitoring Officer Group**

6.4.1. This Group consists of key Officers involved in the provision of Committee Services for Members and reviews on a regular basis the

business conducted by the Council, Cabinet, Committees and other Member Meetings. It supports the Monitoring Officer in his monitoring role, particularly in relation to the work of the Standards Committee, Members conduct, Standards **for England Board** complaints and to monitor the lawful decision making of the Council.

#### 6.5. ~~Assistant Head of Finance (Audit)~~ **Chief Internal Auditor**

6.5.1. This person is the Senior Officer directly responsible for the Internal Audit function. Internal Audit Services is an assurance service that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating the effectiveness in achieving the organisation's objectives. It provides an annual independent assurance to the Chief Finance Officer on the 9 key financial system controls as set out and contained in the Annual Internal Audit Plan. The Chief Internal Auditor also contributes to the Annual Governance Statement by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the Council.

#### 6.6. **Strategy & Partnerships Scrutiny Committee**

6.6.1. The role of the Strategy & Partnerships Scrutiny Committee is set out in section F of the Constitution. The key roles of the Strategy & Partnerships Scrutiny Committee include holding the executive to account together with policy development and review. The responsibilities of the Committee include Corporate and Community leadership and corporate strategies.

#### 6.7. **Audit Committee**

6.7.1. The focus of the Audit Committee is on overseeing financial processes, audit and risk management. The Audit Committee needs to satisfy itself that adequate arrangements are in place to ascertain the effectiveness of the Council's system of internal control. This includes the arrangements for reporting significant risks identified by Directorates.

6.7.2. The Audit Committee will receive reports on progress in achieving the actions set out in the previous year's Statement on Internal Control and on the current year position.

6.7.3. The Audit Committee is responsible for separately approving the Council's Statement on Internal Control for inclusion within the Statement of Accounts.

#### 6.8. **Audit Working Group**

6.8.1. The Audit Working Group will receive updates on significant risks, progress with action plans and reports on the assurance process itself.

It may call for further detailed information on any matter of concern, including interviewing individual officers where appropriate.

6.8.2. The Audit Working Group also carries out detailed work referred to it by the Audit Committee.

6.8.3. The Chairman of the Audit Working Group provides an independent assessment of the effectiveness of the assurance process, set out within the Annual Governance Statement.

#### **6.9. Corporate Governance Working Group**

6.9.1. This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance throughout the Authority. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these by the Council. It has responsibility for reviewing the Local Code of Corporate Governance and to hold Officer to account for compliance with the implementation of the Corporate Governance arrangements.

#### **6.10. Corporate Governance Assurance Group**

6.10.1. The Corporate Governance Assurance Group oversees the assurance framework including the process for assurance from corporate lead officers. The Group is made up of senior corporate officers, chaired by the Monitoring Officer, who are responsible for the determination and coordination of the Corporate Governance Framework and the process and the production of the Annual Governance Statement. The Group provides corporate challenge and advice to Directorates on Governance. Further details are given in Annex 1.

#### **6.11. Standards Committee**

6.11.1 The focus of the Standards Committee is to promote and maintain high standards of conduct by Councillors and Co-opted Members and to assist them in observing the Members' Code of Conduct by providing advice, guidance and training in relation to provisions of the Members' Code of Conduct. Good Corporate Governance requires members and senior officers to lead by example and demonstrate commitment to the key requirements of the assurance framework.

#### **Responsible Officers:**

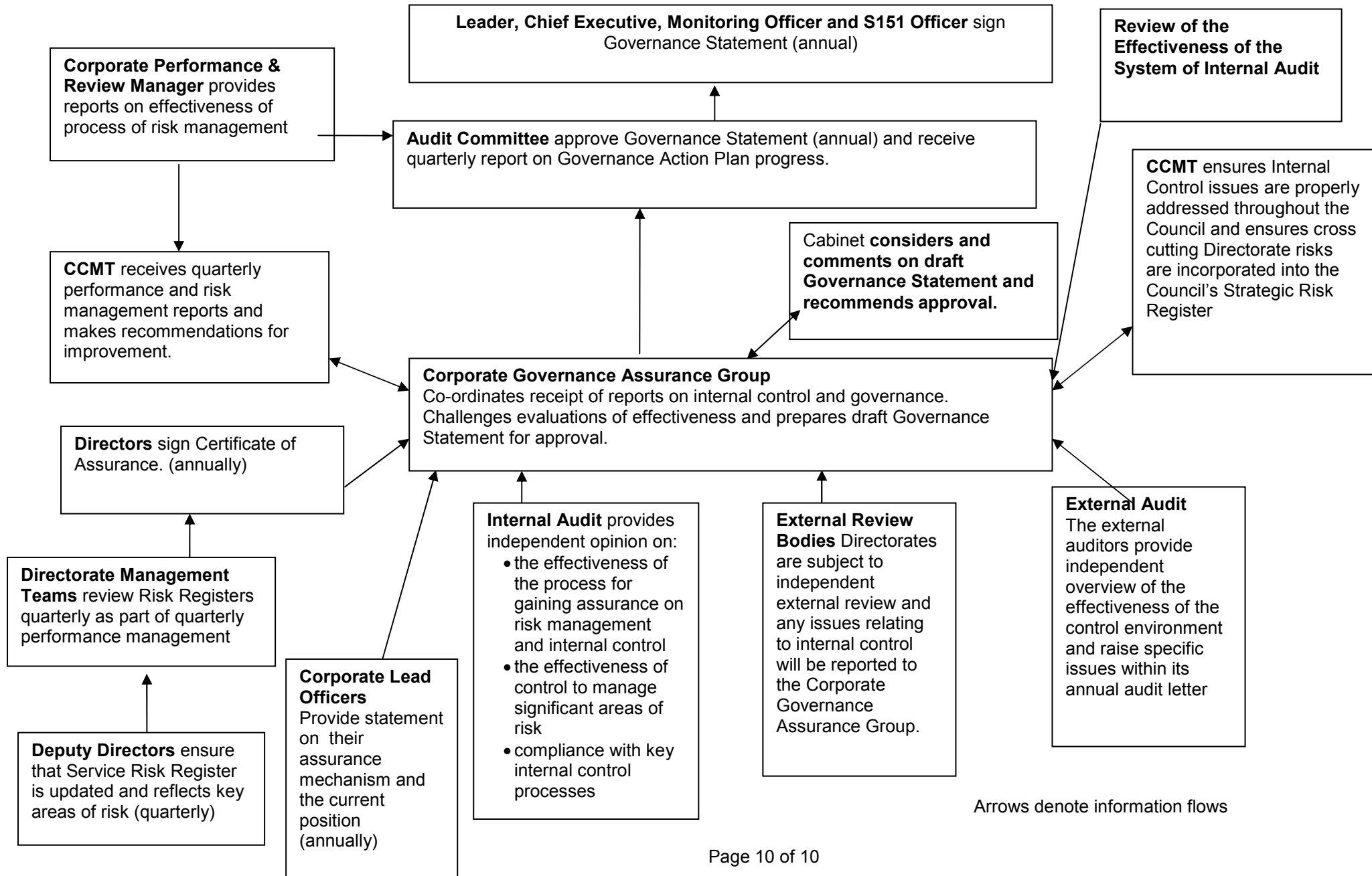
Peter G Clark, County Solicitor/Monitoring Officer  
Sue Scane, Assistant Chief Executive/Chief Finance Officer

**Date:** November 2011

**Review Date:** November 2012



## Overview of Corporate Governance Assurance Framework



Arrows denote information flows

Division(s): NA

COPY

## CABINET – 15 NOVEMBER 2011

### TREASURY MANAGEMENT MID TERM REVIEW 2011/12

#### Report by Assistant Chief Executive and Chief Finance Officer

#### Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management (Revised) 2009' recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
2. The following annexes are attached:
  - Annex 1 Lending List Changes
  - Annex 2 Debt Financing 2011/12
  - Annex 3 PWLB debt Raised and Maturing
  - Annex 4 Prudential Indicator Update.

#### Strategy 2011/12

3. The approved Treasury Management Strategy for 2011/12 was based on an average *base rate forecast of 0.75%*.
4. The Strategy for Long Term Borrowing was to use internal balances only.
5. The Strategy included the continued use of the services of external fund managers, Scottish Widows Investment Partnership (SWIP) and Investec.

#### Economic Background

6. **Growth:** Global growth prospects deteriorated considerably over the six months to September, moving from an expectation of modest expansion to the risk of a double-dip recession. Q1 2011 GDP in the UK was 0.5%, but was just 0.2% in Q2. Even economies like Germany's, which were hitherto seemingly strong, began to flounder with growth registering 0.1% in Q2.
7. **Inflation:** Inflation remained stubbornly high. Annual CPI for September 2011 was 5.2%; CPI has remained above the MPC's 3% upper limit now for 21 consecutive months and required the Bank of England's Governor to write his seventh open letter to the Chancellor. The Bank believes the elevated rate of inflation reflects the temporary impact of several factors including, the increase in the VAT rate to 20%, past increases in global energy prices and import prices. The expectation is that in early 2012, the year on year impact of these factors will fall out and inflation will start to lower.

8. The Bank of England's August Inflation Report downgraded the growth forecast even as it acknowledged energy price rises could push CPI to 5% before inflation fell back to the 2% target over the medium-term. The UK's strategy of combining loose monetary policy (the Bank Rate had remained at 0.5% for 2½ years and Quantitative Easing at £200bn) with tight fiscal policy supported the rebalancing of the economy and also commanded support in the markets.
9. In the US, the country's weak economic and fiscal situation and an unemployment rate of 9.1% left the Federal Reserve little option but to commit to "exceptionally low" interest rates until mid 2013.
10. The European sovereign debt crisis has deepened. The agreement in July 2011 to address Greece's fiscal problems and broaden the mandate for the European Financial Stability Facility (EFSF) only bought time for the Eurozone as market pressure increased on Italy and Spain, but did little to address the issue of overburdened sovereign balance sheets. The further EU bailout plan agreed in late October 2011, comprising a 100bn euro loan and 50% debt write off in return for deep cuts in public spending now hangs in the balance following the announcement by the Greek Prime Minister of a referendum on the deal.
11. The European Banking Authority (EBA) released the results of the second of its stress tests in July. 8 banks (two Greek, one Austrian and five small domestic Spanish banks) out of 91 banks failed the tests. All of the UK and non-UK banks tested by the EBA and which are on the Council's lending list met the 'stressed' Core Tier 1 Ratio of 5%, none were adjudged as 'near-failed' (i.e. having ratios between 5% and 6%).
12. **Gilt yields and money market rates:** The economic uncertainty resulted in analysts postponing the likelihood of an increase in the UK Bank Rate until mid 2012. Gilts were considered a safe haven and benefited from market turmoil. Gilt yields fell to their lowest levels in five years. 5-year gilt yields fell to 1.25%, 10-year yields to 2.2% and 20-year yields to 3.05%.

## Treasury Management Activity

### Debt Financing

13. Oxfordshire County Council's (the Council) debt financing to date for 2011/12 is analysed in Annex 2.
14. The 2011/12 borrowing strategy is to use internal balances where necessary to refinance maturing debt. This is intended to reduce the cost of carry (the difference between borrowing rates and investment returns) and reduce counterparty risk by minimising the level of cash balances.
15. There has been no change to this strategy.
16. The Council's cumulative total external debt has decreased from £434.41m on 1 April 2011 to £424.07m by 30 September 2011, a net decrease of £10.34m. No new debt

has been arranged during the year. The total forecast external debt for 31 March 2012, after repayment of loans maturing during the year is £420.74m. The forecast debt financing position for 31 March 2012, is shown in Annex 2.

17. At 30 September 2011, the authority had 72 PWLB<sup>1</sup> loans totalling £374.07m and 10 LOBO<sup>2</sup> loans totalling £50m. The combined weighted average interest rate for debt as at 30<sup>th</sup> September 2011 was 4.52%.

### **Maturing Debt**

18. The Council repaid £10.34m of maturing PWLB loans during the first half of the year. The details are set out in Annex 3.

### **Debt Restructuring**

19. There has been no restructuring of Long Term Debt during the year.

### **Investment Strategy**

20. Security and liquidity of cash was prioritised above the requirement to maximise returns. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
21. A mixture of short term, (up to 12 months), and longer term, (greater than 12 months), deposits have been arranged throughout the first half of the financial year. An emphasis has been placed on lending to high credit quality banks and other Local Authorities.
22. The continued European bank turmoil and recent credit rating downgrades of UK banks has reduced the number of counterparties and the limits on the approved Treasury Management Lending List. A policy of lending longer term to other Local Authorities has limited the impact of this.
23. The Council used fixed and structured deposits, as well as call accounts and Money Market Funds to deposit its in-house temporary cash surpluses during the first half of 2011/12.

### **The Council's Lending List**

24. The Council's in-house cash balances are deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is regularly updated to reflect changes in bank and building society credit ratings. Changes are reported to Cabinet each month. Annex 1 shows the amendments incorporated into the

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<sup>1</sup> PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.

<sup>2</sup> LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

Lending List during the first half of 2011/12, in accordance with the approved credit rating criteria and additional temporary restrictions.

25. During May 2011, a maturity limit was breached when a 3 year loan was arranged one week in advance of the loan start date. The forward period was not taken into account when the maturity date was fixed. The maturity limit was consequently breached by one week. Also during May a 5 month loan was arranged with a counterparty which, at the time of the deal was subject to a temporary maturity limit reduction from 3 years to 1 month, due to uncertainty about the strength of the Sovereign. However, the restriction was lifted shortly afterwards, during a lending list review. There has been no financial loss to the Council as a result of the breaches of the temporary lending restrictions.

## **Investment Outturn**

26. The average daily balance of temporary surplus cash invested in-house in the six months to 30<sup>th</sup> September was £257m. The Council achieved an average in-house return for that period of 1.11%, producing gross interest receivable of £1.429million (excluding interest accrued on Landsbanki deposits). Temporary surplus cash includes; developer contributions; school balances; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average earned on all balances.
27. The Council uses the three month inter-bank sterling bid rate as its benchmark to measure its own in-house investment performance. During the first half of 2011/12 the average seven-day interbank sterling rate was 0.72%. The Council's average in-house return (1.11%) thus exceeded the benchmark by 0.39%. The Council operates a number of call accounts and instant access Money Market Funds to deposit short-term cash surpluses. The average balance held on call in the 6 months to 30 September was £56.7million.

## **Icelandic deposits**

28. On Friday 28<sup>th</sup> October, the council received notification that the Icelandic Supreme Court had upheld the decision to apply priority creditor status to the local authority test cases. However, as Oxfordshire County Council was not one of the test cases, the authority awaits confirmation from the winding up board of Landsbanki stating how they will apply the Supreme Court decision to the non-test cases and their intended next steps.

## **External Fund Managers**

29. The Council has continued to use the services of two external fund managers: Investec Asset Management Limited and Scottish Widows Investment Partnership Limited (SWIP). Each fund manager manages £10m of the Council's cash, plus their accumulated returns. Investec began managing the fund on 13 April 2006 and SWIP on 13 July 2006. The fund managers were given slightly different investment targets and performance is measured against different benchmarks.

30. SWIP's annualised return for the first 6 months of the year was 1.05% (net of management charges); compared to their annualised benchmark of 0.48%. Investec's annualised return net of management charges for the first 6 months of the year was 0.075%, compared with a benchmark of 1.48%.

### **Prudential Indicators for Treasury Management**

31. During the financial year, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Report. The outturn for the Prudential Indicators is shown in Annex 4.

### **External Performance Indicators and Statistics**

32. The County Council is a member of the CIPFA Treasury and Debt Management benchmarking club and receives annual reports comparing returns and interest payable against other authorities. The benchmarking results for 2010/11 showed that Oxfordshire County Council had achieved an average return of 0.9% compared with an average of 1.1% for their comparative group of County Councils and an average of 1.2% for all 96 members. The lower average interest received was mainly due to higher than average balances in short-term deposits and lower balances in longer-term and structured products.
33. The average interest rate paid for all debt during 2010/11 was 4.3% compared with the comparative group of County Councils' average of 4.7%. Oxfordshire County Council had 88% of its debt portfolio in PWLB loans compared with a County Council member average of 84%

### **Training**

34. As stated in the Treasury Management Strategy, key Treasury Management officers will be encouraged to study towards the new CIPFA and ACT<sup>3</sup> joint Certificate on International Treasury Management – Public Finance. Two of the current dealers have the qualification and the newly appointed members of the treasury management team will be encouraged to study for the examinations as early as is practical.
35. On 17 October 2011 members and officers were invited to attend a half day training seminar on Treasury Management and Debt which had been prepared by the Treasury Management and Capital Financing teams. Arlingclose, the Council's Treasury Management advisors, presented some of the training sessions.

### **Financial and Legal Implications**

36. Interest payable and receivable in relation to Treasury Management activities are only two parts of the overall Strategic Measures budget.

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<sup>3</sup> Association of Corporate Treasurers

37. The 2011/12 budget for interest receivable is £2.519m. The forecast outturn for interest receivable is £2.715m giving net forecast excess income of £0.196m. The increase is mainly due to higher average cash balances due in part to changes to grant funding which has resulted in the receipt of grant income being weighted more to the first half of the financial year. This has offset lower than expected interest rates.
38. The 2011/12 budget for interest payable is £18.808m. The forecast outturn for interest payable is £19.274m giving a net forecast overspend of £0.466m. The increase is due to no LOBO loans being repaid this year.

## **RECOMMENDATION**

39. **The Cabinet is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Mid Term Treasury Management Review 2011/12.**

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Contact officer: Donna Ross, Principal Financial Manager Tel: (01865) 323976

October 2011

**Lending List Changes during 2011/12****Counterparties added/reinstated**

Svenska Handelsbanken

**Counterparties removed/suspended**

Clydesdale Bank Plc  
 Crown Agents Bank  
 BNP Paribas  
 Credit Industriel et Commercial

**Lending limits & Maturity limits decreased**

<b>Maturity</b>	<b>New Lending limit</b>	<b>Maximum</b>
Royal Bank of Scotland Plc	£5m	Overnight
Santander UK Plc	£5m	3 months
Lloyds TSB Bank Plc	£5m	3 months
Bank of Scotland Plc	£5m	3 months
Nationwide Building Society	£5m	3 months
Barclays Bank Plc	£15m	6 months
HSBC Bank Plc	£20m	6 months
Standard Chartered Bank	£20m	6 months
DnB Nor Bank	£10m	1 month
Nordea Bank Finland	£20m	1 month
Svenska Handelsbanken	£20m	6 months
Rabobank Group	£25m	6 months
All American, Canadian & Australian Counterparties	Unchanged	6 months
All other Counterparties (excl. other Local Authorities)	Unchanged	6 months

## OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2011/12

<u>Debt Profile</u>		£m
1. PWLB	88%	384.41
2. Money Market LOBO loans	11%	<u>50.00</u>
3. Sub-total External Debt		434.41
4. Internal Balances	1%	<u>3.21</u>
<b>5. Actual Debt at 31 March 2011</b>	<b>100%</b>	<b>437.62</b>
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		8.92
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		<u>-20.18</u>
<b>10. Forecast Debt at 31 March 2012</b>		<b>426.36</b>
<u>Maturing Debt</u>		
11. PWLB loans maturing during the year		-13.67
12. PWLB loans repaid prematurely in the course of debt restructuring		<u>0.00</u>
<b>13. Total Maturing Debt</b>		<b>-13.67</b>
<u>New External Borrowing</u>		
14. PWLB Normal		0.00
15. PWLB loans raised in the course of debt restructuring		0.00
16. Money Market LOBO loans		<u>0.00</u>
<b>17. Total New External Borrowing</b>		<b>0.00</b>
<u>Debt Profile Year End</u>		
18. PWLB	86%	370.74
19. Money Market LOBO loans	11%	<u>50.00</u>
20. Sub-total External Debt		420.74
21. Internal Balances	3%	<u>5.62</u>
<b>22. Forecast Debt at 31 March 2012</b>	<b>100%</b>	<b>426.36</b>

## Line

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2011). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.
- 6 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.
- 7 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
- 8 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.
- 9 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
- 10 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
- 11 The Council's normal maturing PWLB debt.
- 12 PWLB debt repaid early during the year.
- 13 Total debt repayable during the year.
- 14 The normal PWLB borrowing undertaken by the Council during 2011/12.
- 15 New PWLB loans to replace debt repaid early.
- 16 The Money Market borrowing undertaken by the Council during 2011/12.
- 17 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

**Long-Term Debt Maturing 2011/12****Public Works Loan Board: Loans Matured during first half of 2011/12**

<b>Date</b>	<b>Amount £m</b>	<b>Rate %</b>
01/04/2011	5.000	9.50
22/05/2011	3.000	9.00
13/07/2011	0.500	2.35
31/07/2011	0.500	2.35
31/08/2011	0.342	1.12
16/09/2011	1.000	9.50
<b>Total</b>	<b>10.342</b>	

**Public Works Loan Board: Loans Due to Mature during second half of 2010/11**

<b>Date</b>	<b>Amount £m</b>	<b>Rate %</b>
01/12/2011	2.000	7.50
13/01/2012	0.500	2.35
31/01/2012	0.500	2.35
28/02/2012	0.344	1.12
<b>Total</b>	<b>3.344</b>	

**Prudential Indicators Position 30th September 2011****Authorised and Operational Limit for External Debt**

<b>External Debt</b>	<b>Operational Limit £m</b>	<b>Authorised Limit £m</b>	<b>Actual 30/09/11 £m</b>	<b>Forecast 31/03/12 £m</b>
Borrowing	543	553	424	421
Other Long-Term Liabilities	40	40	6	6
<b>TOTAL External Debt</b>	<b>583</b>	<b>593</b>	<b>430</b>	<b>427</b>

Capital Financing Requirement for year £429,164,000

**Fixed Interest Rate Exposure**

Fixed Interest Net Borrowing limit 150%  
Actual at 30 September 2011 113%

**Variable Interest Rate Exposure**

Variable Interest Net Borrowing limit 25%  
Actual at 30 September 2011 -13%

**Sums Invested over 365 days**

Total sums invested for more than 364 days limit £100,000,000  
Actual sums invested for more than 364 days £ 37,000,000

**Maturity Structure of Borrowing**

	<b>Limit %</b>	<b>Actual %</b>
Under 12 months	0 - 20	4.31
12 – 24 months	0 - 25	4.33
24 months – 5 years	0 - 35	9.20
5 years to 10 years	5 - 40	14.86
10 years +	50 - 95	67.30

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Division(s): All

## **AUDIT COMMITTEE – 16 NOVEMBER 2011**

### **Annual Governance Statement Action Plan – Quarter 1 Progress**

#### **Report by the Monitoring Officer and Head of Law & Governance**

#### **INTRODUCTION**

1. The 2010/11 Annual Governance Statement and action plan for 2011/12 was approved by the Audit Committee in July 2011. The action plan addresses areas that have been identified through the preparation of the Annual Governance Statement where the quality of governance could be improved, or where there are planned material changes to the governance arrangements. Progress against the action plan is monitored by the Corporate Governance Assurance Group (CGAG).

#### **QUARTER 1 MONITORING**

2. Progress in Quarter 1, 1 July to 30 September 2011, was reported to the CGAG on 14 September 2011 and is provided at Appendix 1.
3. Actions 1a and 1b have been carried forward from the 2010/11 action plan. The responsible officers for these actions attended the CGAG meeting on 14 September and assurance was given that these actions were on track for completion by their respective target dates. Confirmation of this will be sought at the end of November 2011.
4. Good progress has been reported by the Corporate Lead for Business Continuity against action 2 relating to the installation of generators at key sites to increase the resilience of the ICT infrastructure. It has since been confirmed that the generator was installed at County Hall on 17 September. Work began at Clarendon House on Monday 19 September and is scheduled for completion on 14 November.
5. Since progress against action 3 was reported to CGAG it has been confirmed by the Corporate Lead for Finance that corporate guidance for completion of the Scheme of Delegation has been completed and published on the intranet. In addition the standardised template has also been issued to directorates for completion. This action can therefore be recorded as completed.
6. CGAG were satisfied that progress has been made towards the completion of action 4. A further update to confirm the completion and approval of the SAP Security Standard and the availability of intranet forms and process documentation will be sought at the end November 2011.

7. The Corporate Lead for Health & Safety has been asked to attend the December meeting of CGAG for an officer challenge session. This will enable the members of CGAG to obtain an update on the revised Health and Safety framework and on further progress achieved at that date towards the completion of action 5.
8. Monitoring arrangements for further improvements identified in the Corporate Lead Statements but not included in the AGS action plan have been put in place. Corporate Leads are required to report progress against further improvements on a quarterly basis to CGAG. Any issues raised as a result of the monitoring will be reported to the Audit Working Group.

## **RECOMMENDATION**

9. **The Committee is RECOMMENDED to note the report.**

PETER CLARK  
Monitoring Officer and Head of Law & Governance

Background papers:           None.  
Contact Officer:               Sarah Cox Audit Manager  
Tel: 01865 323881

November 2011

## Appendix 1

### Quarter 1 - AGS Action Plan for 2011/12

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
<p><u>Actions carried forward from 2010-11:</u>            1) To monitor actions to address the improvements identified by Internal Audit in relation to information governance relating to:            (a) external data transfers, which include the approval and implementation of the Secure Transfer of Information Policy</p>	<p>1a) 30 November 2011</p>	<p>1a) Data Controller</p>	<p>Corporate Governance Assurance Group</p>	<p>(a) The external data transfer policy has been drafted and is now subject to agreement from Cllrs Mitchell and Robertson. Following agreement the policy can then be launched, communicated and monitored.</p> <p>Part of the delay in finalising the policy has been due to waiting for the findings of the Information Commission following a number of high level data breaches by other local authorities.</p> <p>Alongside the development of the policy work has also been ongoing to implement an Information Asset Register for all directorates. This will enable data to be categorised and make it easier for people to assess the risks associated with the transfer of the data and to apply the Secure Transfer of Information Policy effectively and appropriately.</p>

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
(b) end user developments, which include the approval and implementation of the Access Strategy and Excel Development Policy.	1b) 31 December 2011	1b) Head of ICT Business Delivery	Corporate Governance Assurance Group	<p>(b) The policy has been to the ICT programme board and accepted by representatives of services and directorates. The aim is to get them to take responsibility for end user developments before they go ahead.</p> <p>As part of the Windows 7 and Office 2010 rollout, a process is ongoing to eliminate as many databases as possible. So far 16,000 databases identified have been rationalized to 7,000, many of these were used as front ends to other databases. It is also planned to improve the acceptable use of ICT policy to be more specific about the appropriate use of a range of applications.</p>

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
<p>2) To address the lack of resilience within ICT infrastructure, which include a back-up facility to be sited at Kidlington, review of priorities for recovery of applications and systems used by Group 1 Services, installation of stand-by generators in County Hall and Clarendon House, and improved Telephony resilience.</p>	<p>31 August 2011</p>	<p>Business Continuity Corporate Lead.</p>	<p>Corporate Governance Assurance Group</p>	<p>A standby DR centre has been established at Kidlington Fire Service HQ and holds a replicated data set for all OCC applications. The hardware is limited to the support of ICT P0 and P1 systems which are based on the requirements of Group 1 services and have been agreed with BCSG. The standby generator at Kidlington has been upgraded to support the new facility.</p> <p>A temporary generator has been installed to power the communications room in County Hall, including telephony; the permanent generator is scheduled for installation on 17 Sept. There are also plans to split telephony equipment between County Hall and a location yet to be decided to provide increased resilience.</p> <p>The generator for Clarendon House has been manufactured. The lease for the basement is still to be resolved to allow access for the contractor to start works. OCC legal are currently liaising with the landlord to provide an acceptable level of commitment in order for the landlord to grant a licence to access.</p> <p>Expected date of resolution is 5 September. Contractors need one week's notice for mobilisation of workforce, so the earliest start on site would realistically be Tuesday the 13 September. The installation works will take 6 weeks from start to finish.</p>

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
3) To implement improvements to Schemes of Delegation to reflect significant organisational change, which includes the issue of clear guidance on how changes should be made and approved.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group	<ul style="list-style-type: none"> <li>• 2011/12 Schemes of Delegation reflecting new Directorate structures are available on the Intranet.</li> <li>• Scheme of Delegation for Schools available on the Intranet.</li> <li>• Guidance on how changes should be made and approved on and linked to SAP authorisations will be added to the Intranet by 30 September 2011 following consideration by SFG on Monday 19 September and any subsequent amendments.</li> <li>• SAP approvals matrix being developed to improve visibility of substitutes to ensure these are appropriate.</li> <li>• List of current procurement card holders available on Intranet along with Approvals Matrix.</li> <li>• Per feedback from SFG on 11 July Directorates have been using the Approvals Matrix to ensure that SAP authorisations are consistent with the formal SoD.</li> </ul> <p><u>Future Improvements</u> Move to a standardised format for September 2011 SoD update to summarise all responsibilities by Group/Post. Ensure routing of debt write offs is consistent across Directorates.</p>

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
4) To implement effective governance of SAP roles, to ensure management of segregation of duties.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group	<p>The SAP operations group has been put in place to address the governance issues around SAP roles. They will be monitoring changes to roles (particularly around critical transactions) and the papers for the meeting 15 September include background to the implementation of the SAP Security Standard.</p> <p>Mike King and Deb Allen have drafted the SAP Security Standard that will document the process for changing SAP once a request to ICT has been received to ensure that this process is working effectively and with adequate controls.</p> <p>Previous SAP Operations Group discussed changes to roles and whether they should have an overview of changes requested/made.</p> <p>Updates still required to Intranet forms and documentation of ICT processes to transact changes.</p>

Action	Timescale for Completion	Responsible Officer	Monitoring Body	Progress Update
<p>5) To address improvements in respect of weaknesses identified by HSE for not having robust systems in place when awarding, managing and monitoring service provider contracts, which include improvements to health and safety clauses in contracts and related documentation, targeted training of relevant staff to increase their knowledge and ability to challenge providers, and safeguard the authority by supporting providers in improving their health and safety management system performance.</p>	<p>Updates to be provided at end of each quarter throughout 2011/12</p>	<p>Health and Safety Corporate Lead</p>	<p>Corporate Governance Assurance Group</p>	<p><b>SCS LD</b> – review of H&amp;S element of annual review of MENCAP provision for OCC clients. Working with LD QMOs to develop questionnaire that will adequately cover H&amp;S issues while enabling QMOs to concentrate on quality of provision. 1st Draft completed, to be reviewed 12<sup>th</sup> September then circulated to appropriate Managers for comment. Interviews with service providers have shown a positive attitude to enhanced H&amp;S monitoring particularly as it will be looked on favourably when tendering in the future.</p> <p><b>Schools</b> – project underway to identify schools needs for contracting support. Interviews with school Premises/ Business Managers show that there is room for improvement in competence and contracting practice is variable in quality and extent. Guidance specific to schools needs being drafted through into September.</p> <p><b>Training</b> – Selection and Management of Contractors continuing although uptake is under par. Delegates so far include from Waste Management, Property Services, and a few school business managers.</p> <p><b>Documents</b> –documents relating to contractor management in H&amp;S A-Z have been rewritten to reflect current best practice across all establishments and settings.</p>

Division(s): ALL

## **AUDIT COMMITTEE – 16 NOVEMBER 2011**

### **AUDIT COMMITTEE INVOLVEMENT WITH SCRUTINY FUNCTION**

#### **Report by County Solicitor and Monitoring Officer**

#### **Introduction**

1. At its last meeting, the Committee asked for clarification as to the involvement of the Audit Committee in the Council's scrutiny function. This report outlines the complementary nature of the two functions and indicates a potential means of closer liaison.

#### **The scrutiny function**

2. In general terms, the purpose of the scrutiny function is to monitor the actions of the Cabinet, and other committees, and to call them to account. It is also part of scrutiny's purpose to inform policy development, for instance by undertaking wider reviews of policy and performance either on the initiative of a scrutiny committee or at the request of the Cabinet. The scrutiny function can also involve scrutiny of other public bodies' policy and performance, for example the health service.
3. Scrutiny committees also have a role in effecting and/or considering a call-in of a decision by Cabinet or a member of it. The scrutiny function also has a key role within the operation of the 'councillor call for action' whereby a member of the Council can refer a local issue to the relevant scrutiny committee which can then make a recommendation to Cabinet or partner body. Scrutiny committees may also invite people and stakeholders other than Council members and officers to address them.
4. The scrutiny function also involves reviewing the Council's Local Code of Corporate Governance (through the Strategy and Partnerships Scrutiny Committee).
5. The scrutiny function therefore fulfils an important part of the Council's democratic decision-making process and of gauging the impact and effectiveness of the council's services.

#### **The audit function**

6. It is part of the Audit Committee's function to monitor the risk, control and governance of the Council together with the adequacy of those arrangements and those of other persons who manage Council resources. This involves ensuring compliance with relevant legislation, standards and internal or external

codes. It also oversees the co-ordination of audit plans to maximise use of Council's resources. Audit Committee also has specific functions as regards corporate governance, including approval of the Council's Corporate Governance Framework and the Annual Governance Statement. The Committee also has functions in relation to the approval of the Council's statement of accounts.

## **Complementary functions**

7. The audit and scrutiny functions can also complement each other. In their separate ways, both functions review aspects of the Council's performance and effectiveness. In the case of the Audit Committee this is with formal responsibility for monitoring risk, control and governance. In the case of scrutiny this involves analysis of policy and performance and the making of recommendations to Cabinet or other committees.
8. In some instances, there is a direct connection, such as the Audit Committee's ability, as part of its Terms of Reference, to draw the attention of the Strategy and Partnerships Scrutiny Committee to issues which in the Committee's view would benefit from scrutiny review or further investigation. This provision occurs twice within the terms of reference of this committee (Part 2, Article 8 of the Constitution, included as an Annex this report). It demonstrates that the Audit Committee has responsibility for ensuring effective arrangements are in place for monitoring risk, control, governance and audit but that there may be occasions when scrutiny's role in conducting reviews and investigations may be appropriate to address underlying issues.

## **Way forward**

9. In order to bring greater clarity to the respective roles, the Committee may consider it appropriate to receive the Annual Report of Scrutiny Committees in draft form each year. This would enable the Committee to provide an opportunity to comment on key performance issues and to better understand the role and activities of scrutiny better and, in so doing, to add to the suite of evidence about the Council's risk, control and governance.

## **RECOMMENDATION**

**The Committee is RECOMMENDED to ask that the Annual Report of Scrutiny Committees is received by the Audit Committee in draft form each year for comment.**

Peter Clark  
County Solicitor and Monitoring Officer

Contact Officer: Peter G Clark

November 2011

## **ANNEX**

### **The Terms of Reference of the Audit Committee**

#### **Extracted from Oxfordshire County Council's Constitution (Part 2, Article 8, 1 (a))**

##### (a) Audit Committee

###### (1)

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

###### (2)

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

- to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;
- to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and
- to ensure coordination between internal and external audit plans to maximise the use of resources available as part of a total controls assurance framework;

1 The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended 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;

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

## AUDIT COMMITTEE – 16NOVEMBER 2011

### WORK PROGRAMME 2012

#### 2012

##### **18 January**

Audit Commission:

- 2011/12 Opinion Audit Plan - Oxfordshire County & Oxfordshire Pension Fund;
- Annual Report on the Audit of Grant Claims 2010/11;
- Progress Report

Internal Audit Plan – Quarter 4, 2011/12  
(Chief Internal Auditor);

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

Audit Committee - Draft Work Programme 2012/13  
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

##### **29 February**

Audit Commission:  
Progress Report

Audit Committee Annual Report to Council 2011  
(in accordance with the process adopted by the Committee on 29 November 2006)

Internal Audit Services-Internal Audit Strategy & Annual Plan 2012/13  
(Ian Dyson)

##### **Other Matters:**

- Audit Working Group:  
Report of latest meeting  
(Ian Dyson)
- Audit Committee Work Programme – update/review  
(Committee Officer/Chairman/relevant officers)
- Business Strategy: updates & key extracts from the Cabinet's Financial Monitoring & Business Strategy Delivery Report  
(Sue Scane)
- Scrutiny - governance & control matters (as they become available):
  - scrutiny annual report
  - scrutiny work programme  
(Alexandra Bailey)

- Treasury Management:
  - Strategy Report in January
  - Outturn Report in July
  - Mid Term Review in November

Background Papers Nil

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

November 2011