

To: Members of the Audit Committee

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

**Wednesday, 18 January 2012 at 11.00 am**

**County Hall**



Peter G. Clark  
County Solicitor

January 2012

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:**

***Date of next meeting: 29 February 2012***

- ***There is no informal pre-meeting briefing prior to the Committee meeting***
- ***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***

## 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 16 November 2011 (**AU3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Audit Commission** (Pages 7 - 70)

11:10

2011/12 - Oxfordshire County Council (OCC) Audit Plan  
2011/12 - Oxfordshire Pension Fund Audit Plan  
2010/11 - Certification of Claims & Returns – OCC  
2011/12 - External Audit Progress Report January 2012 – OCC

A representative of the Audit Commission will attend for these items (**AU5**).

*The Committee is RECOMMENDED to consider and comment on the reports.*

6. **Internal Audit 2011/12 Progress Report and Quarter 4 Plan** (Pages 71 - 110)

11:30

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

This report presents the Internal Audit Progress Report and Plan for quarter 4 2011-12.

*The Committee is RECOMMENDED to note the report.*

7. **Review of the Process for Reporting on the Effectiveness of the System of Internal Audit** (Pages 111 - 114)

11:50

Report by Assistant Chief Executive & Chief Finance Officer (**AU7**).

In accordance with the Accounts and Audit Regulations 2011 the Council is required to undertake a review of the effectiveness of the system of Internal Audit. The report details for the consideration and approval of the Committee the assurance framework and suggested process for undertaking and reporting on the review.

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

- (a) approve the process for reviewing the effectiveness of the System of Internal Audit;***
- (b) approve the circulation list, content and format of the Annual Survey Questionnaire;***
- (c) authorise the Monitoring Officer to undertake the review and report back to the Audit Committee.***

## **8. Treasury Management Strategy Statement (Pages 115 - 130)**

12:10

A copy of the report to Cabinet on 17 January 2012 by the Assistant Chief Executive & Chief Finance Officer on the Treasury Management Strategy Statement and the Annual Investment Strategy for 2012/13 is attached (**AU8**).

This document complies with the technical requirement of the CIPFA Treasury Management Code of Practice. It sets out, amongst other things the investment strategy for the Council's temporary cashflow surpluses. The strategy continues the previous policy of maintaining security of capital, along with the liquidity of its investments, whilst achieving the optimum return on its investments commensurate with risk. Potential maximum exposure to credit risk is reflected in the Statement of Accounts and is taken into account in the assessment of the level of balances required.

The Strategy for 2012/13 continues with the principle of prioritising security and liquidity of principal over investment return. As government funding for capital is now by grant rather than approval to borrow, new borrowing for capital only applies to prudential schemes. Where it is in the Council's interest to do so, the use of internal funds instead of external borrowing for these schemes will apply. In addition, it is again proposed that any changes applied to the 2012/13 Treasury Management Strategy can be delegated to the Chief Finance Officer in consultation with the Leader and Cabinet Member for Finance. This is included in the recommendations below.

The Cabinet's decision will be reported to the Committee.

***The Committee is RECOMMENDED to consider the report prior to Council.***

**9. Audit Committee Work Programme - Review/Update (Pages 131 - 132)**

12:30

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

**10. DCLG Consultation on the Future of Local Public Audit**

12:35

The Chief Internal Auditor reports as follows:

In June 2011 the Audit Working Group and the Committee considered the DCLG consultation paper on the "Future of Local Public Audit". Following the discussions a response to the consultation was submitted at the end of June. The DCLG response has now been received, and the Chief Internal Auditor will present a brief summary of the key points.

12:45 **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 12 January 2012 at 2pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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## AUDIT COMMITTEE

**MINUTES** of the meeting held on Wednesday, 16 November 2011 commencing at 11.00 am and finishing at 2.10 pm

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)  
Councillor Alan Armitage  
Councillor Tony Crabbe  
Councillor Roy Darke  
Councillor A.M. Lovatt  
Councillor Larry Sanders  
Councillor C.H. Shouler  
Councillor Lawrie Stratford

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

**Other Members in  
Attendance:** Councillor Jim Couchman, Cabinet Member for Finance  
& Property  
Councillor David Robertson, Deputy Leader of the  
Council (for Agenda Item 9)

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

**Officers:**

Whole of meeting L. Baxter, P. Clark, I. Dyson, G. Malcolm

Part of meeting

**Agenda Item**                      **Officer Attending**  
7                                      C. Phillips, B. Dimmock-Smith

*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.*

**51/11 MINUTES**  
(Agenda No. 3)

The Minutes of the meeting held on 21 September 2011 (AU3) were approved and signed subject at Minute 44/11, line 3 to the deletion of “ ‘s” and substitution of “Committee’s”.

**52/11 AUDIT COMMISSION**

(Agenda No. 5)

Ms. Grindley introduced the Audit Commission's Annual Audit letter 2010/11 (AU5) and highlighted the key points. It was a very positive report. The Commission had issued an unqualified opinion on the financial statements for 2010/11 and commented that the overall quality of the accounts, working papers and officer support for the audit was particularly good. In relation to value for money, the Council had adequate arrangements for securing economy, efficiency and effectiveness in the use of resources and the Commission was satisfied that there were proper arrangements in place for securing financial resilience, given the heightened financial pressures, and for challenging how value for money was secured. The 2011/12 Opinion Audit Plan for the Council and Pension Fund was scheduled for Committee consideration on 18 January 2012.

Members commended the staff concerned, in particular for their excellent work in preparing for the implementation of the new International Financial Reporting Standards.

Audit Commission Progress Report: Ms. Grindley confirmed that the timetable for the Audit Commission Outsourcing was on course as shown at Minute 45/11 of the Committee's 21 September 2011 meeting.

**RESOLVED:** to note the overall position and thank the Audit Commission for an exceptional report and their work with the Finance Team, whose officers were also congratulated and thanked.

**53/11 AUDIT WORKING GROUP - 3 NOVEMBER 2011**

(Agenda No. 6)

The Committee considered a report (AU6) which summarised the matters arising at the most recent meeting of the Audit Working Group (AWG), and included three recommendations. In particular, the report highlighted potential changes to the Corporate Governance Framework which had been considered by the Working Group and which the Committee was asked to approve. One proposed change was 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 were more minor and related largely to changes in post titles. The proposed revisions were highlighted Appendix 2 to the report.

Internal Audit – Emerging Issues (action to update the Schools Financial Manual of Guidance - page 2 of the report): the Chairman informed the Committee that he had received and was satisfied with the response from the officer responsible.

**RESOLVED:**

- a) that the informal development session prior to the Committee's meeting on 18 January 2012 should be a briefing on the Adult Information System (AIS) project;



- b) to approve the revised Corporate Governance Assurance Framework; and
- c) cancel the AWG 5 January 2012.

#### **54/11 RISK MANAGEMENT ANNUAL REVIEW**

(Agenda No. 7)

The Committee considered the Risk Management Annual Review (AU7) which summarised progress in this area since October 2010. It also provided an outline of the way ahead for the coming 12 months. Progress was reported against the key work streams and improvement plan. An assessment of the new assurance process for risk management was provided. It also set out the planned approach to risk management for the coming year and key milestones for activity.

Ms Phillips and Ms Dimmock-Smith introduced the paper, pointing out key changes. They outlined the work with directorates and confirmed that there were regular meetings with the Chairman, who was the Council's Member Champion for Risk. Risk Management progress reports were included in the Audit Working Group work programme for discussion.

The Committee supported the risk assurance process arrangements set out at paragraphs 8&9. The Chairman agreed to speak to officers about a suggestion that it might be useful to broaden out the need for further training in risk awareness from all new members of the Committee, to all councillors.

#### **RESOLVED:** to

- (a) note the progress to date; and
- (b) thank Ms Dimmock-Smith for her past work; her successor on Risk Management, Ms Phillips was welcomed.

#### **55/11 TREASURY MANAGEMENT MID TERM REVIEW 2011-12**

(Agenda No. 8)

The Committee considered a report to Cabinet (AU8) which set out the Treasury Management activity undertaken in the first half of the financial year in compliance with the CIPFA Code of Practice. It included 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.

Councillor Couchman informed the Committee that the Cabinet on 15 November 2011 had noted the report and recommended Council to note the Council's Mid Term Treasury Management Review 2011/12. He thanked the Treasury Management Team for all their efforts during a difficult financial period.

During debate Councillor Mathew undertook to liaise with Finance officers following the conclusion of the meeting regarding further information on paragraphs 28-reimbursement from Icelandic deposits, and 37-the budget for interest receivable.

**RESOLVED:** to

(a) receive the Review; and

(b) thank the Chief Finance Officer and Ms Baxter for their work and report.

**56/11 ANNUAL GOVERNANCE STATEMENT - ACTION PLAN PROGRESS**

(Agenda No. 9)

The Monitoring Officer presented the Annual Report (AU9) and outlined the key matters in the Action Plan set out in the Appendix. The 2010/11 Annual Governance Statement and action plan for 2011/12 had been approved by the Audit Committee in July 2011. He confirmed that progress against the action plan was 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 was instead being presented to the Audit Committee to note progress made.)

**RESOLVED:** to note the report and progress.

**57/11 AUDIT COMMITTEE INVOLVEMENT WITH THE SCRUTINY FUNCTION**

(Agenda No. 10)

At the last meeting the Committee asked for clarification as to the involvement of the Audit Committee in the Council's scrutiny function.

The Committee considered a report (AU10) which outlined the complementary nature of the scrutiny function and audit function.

The Committee discussed a potential way forward for means of closer liaison and bringing greater clarity to the respective roles.

In noting that the Council would be considering the Constitutional Review in December 2011, the Committee expressed the view that the Audit Committee's terms of reference should make explicitly clear that the Committee had the ability to raise issues with the Strategy & Partnerships Scrutiny Committee, or any other relevant scrutiny committee, as appropriate.

**RESOLVED:** to ask the Chairman of the Strategy & Partnerships Scrutiny Committee, on behalf of the scrutiny committees, to bring and present to this Committee each year the draft Scrutiny Committees' Annual Report to Council.

**58/11 BUSINESS STRATEGY**

(Agenda No. 11)

The Assistant Chief Executive & Chief Finance Officer updated the Committee on key matters in the Financial Monitoring and Business Strategy Delivery Report (CA6) which had been considered by the Cabinet on 15 November 2011, focusing on the

delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2011/12 – 2015/16. These formed part of the forecast position for each Directorate. Parts 1 and 2 included projections for revenue, reserves and balances as at the end of September 2011. The Capital monitoring was included at Part 3. Fees and Charges were included in Part 4.

The Cabinet had noted the report and approved the virements as set out in Annex 2a and the change to the Capital Programme as set out in annex 9c; agreed the bad debt write off as set out in paragraph 40; and approved the proposed charge of £10 for the issuing of each Disabled Parking Permit as set out in Part 4 to be effective from 1 January 2012.

Some pressures/uncertainties were identified, including government intentions around academies funding, increasing energy costs, pension changes and implications of the Localism Act and the Dilnot Commission Report on Social Care. Government consultation on the draft Settlement was expected by December 2011.

**RESOLVED:** to note the report and thank Ms. Scane.

**59/11 AUDIT COMMITTEE WORK PROGRAMME - REVIEW / UPDATE**

(Agenda No. 12)

The Committee considered its Work Programme (AU12).

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

- noting that there would be no AWG report on 18 January 2012 (in the light of the cancellation of the AWG meeting scheduled for 5 January 2012);
- amending the entry for Scrutiny in accordance with the Committee’s decision at item 10 above; and
- the heading ‘Other Matters’ be changed to ‘Standing Items’ in future.

..... in the Chair

Date of signing .....

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# Audit plan

Oxfordshire County Council

Audit 2011/12



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# Introduction

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**This plan sets out the work for the 2011/12 audit. I have based the plan on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end. I undertake my work to meet them.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.



# Accounting statements and Whole of Government Accounts

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**I will carry out the audit of the accounting statements under the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I must issue an audit report giving my opinion on whether the accounts give a true and fair view.**

## **Materiality**

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## **Identifying audit risks**

I need to understand the Authority to identify any risk of material misstatement (from either fraud or error) in the accounting statements. I do this by:

- identifying the business risks you face, including assessing your own risk management arrangements;
- considering your financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls in your information systems.

## **Identification of significant risks**

I have considered the additional risks relevant to the audit of the accounting statements at the County and have identified no significant risks.



## Testing strategy

My audit involves:

- reviewing and re-performing the work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of transactions and amounts.

I aim to:

- rely as much as possible on the work of your internal auditors, subject to review and re-performance; and
- do as much work as I can before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 1: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Key financial Systems	Control accounts Journal controls			
Final visit			Mental health pooled budget hosted by Oxfordshire PCT- Audit Commission Pensions assets and liabilities – auditor to Oxfordshire Pension Fund – Audit Commission	Pensions assets and liabilities - Barnett Waddingham and our own consulting actuary Price Waterhouse Coopers Valuation of property, plant and equipment – Mouchel	All material accounts balances and amounts

I will agree with you a schedule of working papers needed to support the entries in the accounting statements.

## **Whole of Government Accounts**

Alongside my work on the accounting statements, I will review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The NAO specify the extent of my review and the nature of my report.

# Value for money

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## **I must reach a conclusion on your arrangements to secure economy, efficiency and effectiveness.**

I base my conclusion on your arrangements on two criteria, specified by the Audit Commission. These relate to your arrangements for:

- securing financial resilience – focusing on whether you are managing financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising resources within tighter budgets and improving productivity and efficiency.

## **Identification of significant risks**

I have considered the risks relevant to my value for money conclusion and identified no significant risks at this stage.

# Key milestones and deadlines

You must prepare accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 2: Proposed timetable and planned outputs

Activity	Date	Output
Opinion: documenting the systems and testing controls	Late 2011 – early 2012	Within Progress Reports
Opinion: receipt of accounts and supporting working papers	30 June 2011	
Opinion: substantive testing	July 2012 – September 2012	Annual Governance Report Auditor's report
Value for money conclusion	April 2012 – September 2012	Annual Governance Report Auditor's conclusion
Present Annual Governance Report at the Audit Committee	19 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's reports
Summarise overall messages from the audit	October 2012	Annual Audit Letter

# The audit team

The key members of the team for the 2011/12 audit are as follows.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Maria Grindley District Auditor	m-grindley@audit-commission.gov.uk 0844 798 8952	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive and Assistant Chief Executive and Chief Finance Officer.
Mary Fetigan Audit Manager	m-fetigan@audit-commission.gov.uk 0844 798 8978	Manages and coordinates the different elements of the audit work. Key point of contact for the Assistant Chief Executive and Chief Finance Officer and the Head of Corporate Finance.
Chris Baston Principal Auditor	c-baston@audit-commission.gov.uk 0844 798 2605	Team leads the key elements of audit work and attends Audit Committee as required.

# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB and with the Commission's extra requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationship which might constitute a threat to independence and I am required to report this to you. I have therefore introduced the following safeguard to reduce the threat.

Table 4: **Threats and safeguards**

Threat	Safeguard
The audit manager, Mary Fetigan, knows one of the Council's social workers.	Mary Fetigan will not carry out or review any of our work on social services expenditure.

## Quality of service

I aim to provide you with a fully satisfactory audit service. However, if you are unable to deal with any difficulty through me and my team, please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied, you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

# Fees

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**The fee for the audit is £244,350, as set out in my letter of 6 April 2011.**

## **The audit fee**

The Audit Commission has set a scale audit fee of £244,350 which represents a 10 per cent drop from the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work caused by the adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity differ significantly from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set your fee at the scale fee.

## **Assumptions**

In setting the fee, I have made the assumptions set out in Appendix 2. Where these assumptions are not met, I may need to undertake more work, which may increase the audit fee. Where this is the case, I will discuss this first with Assistant Chief Executive and Chief Finance Officer and I will issue a supplement to the plan to explain any revisions to the risk and the fee impact.



## Total fees payable

As well as the fee for the audit, the Audit Commission charges for:

- certifying claims and returns; and
- where I have agreed to provide non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees are as follows.

Table 5: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	244,350	272,500	28,150
Certification of claims and returns	11,000 (est)	16,000 (est)	-
Non-audit work	0	0	-
<b>Total</b>	<b>255,350 (est)</b>	<b>288,500 (est)</b>	<b>-</b>

# Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 6: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.	All audit staff must declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards introduced to reduce the threat to an acceptably low level.
	The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of auditor and senior audit staff assignments.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff must declare any gifts or hospitality, whether or not accepted. They may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	<p>All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure independence is not compromised.</p>
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

# Appendix 2 – Basis for fee

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In setting the fee, I have assumed the following.

- The risk to the audit of the accounting statements is not significantly different from that identified for 2010/11. For example:
    - internal controls are operating effectively;
    - I secure the co-operation of other auditors.
  - The risk to my value for money responsibilities is not significantly different from that identified for 2010/11.
  - Internal Audit meets professional standards.
  - Internal Audit undertakes enough work on all systems providing material figures in the accounting statements for me to rely on it;
  - The Authority provides:
    - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements;
    - other information requested within agreed timescales;
    - prompt responses to draft reports; and
  - there are no questions asked or objections made by local government electors.
- Where these assumptions are not met, more work will be necessary, which is likely to mean an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting statements**

The annual statement of accounts that the Authority must prepare, which report its financial performance and financial position in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Annual Audit Letter**

Report issued by the auditor to the Authority after the completion of the audit summarising the work carried out in the period and significant issues arising.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the accounting statements. It is presented to those charged with governance before auditors issue their opinion and conclusion.

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control supporting how it achieves its policies, aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by auditors under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing which meet the developing needs of users of financial information and ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB containing basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

## **Auditor(s)**

Auditors appointed by the Audit Commission.

## **Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

## **Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

## **Ethical Standards**

Pronouncements of the APB containing basic principles relating to independence, integrity and objectivity which apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

## **Group accounts**

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

## **Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## **Materiality**

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

## **Significance**

The concept of 'significance' applies to these wider responsibilities. Auditors adopt a level of significance which may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

## **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

## **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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





# Audit plan

Oxfordshire Pension Fund

Audit 2011/12



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# Introduction

**This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy to you.

The Statement summarises where these responsibilities begin and end and I undertake my audit work to meet them.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

My audit of the accounting statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

# Accounting statements and Pension Fund Annual Report

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I will carry out the audit of the Pension Fund accounts within the Council's statement of accounts under the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I also report on the accounting statements in the Pension Fund Annual Report. I must issue audit reports giving my opinion on whether the accounting statements give a true and fair view.

## Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## Identifying audit risks

I need to understand the Pension Fund to identify any risk of material misstatement (from either fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Fund, including assessing your own risk management arrangements;
- considering the Fund's financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment, and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls in the Fund's information systems.

## Identification of significant risks

I have considered the additional risks relevant to the audit of the accounting statements of the Pension Fund and have identified no significant risks.

### Testing strategy

My audit involves:

- review and re-performance of the work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of transactions and amounts.

I aim to:

- rely as much as possible on the work of your internal auditors, subject to review and re-performance; and
- do as much work as I can before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 1: Testing

	Review of internal audit	Reliance on the work of other auditors	Reliance on work of experts	Controls testing	Substantive testing
Interim visit	Key financial systems			Control accounts Journal controls	
Final visit		SAS70 auditor reports for fund managers and custodians	Pensions liabilities – Barnett Waddingham and my consulting actuary Price Waterhouse Coopers. Investment assets – Bank of New York Mellon		All material accounts balances and amounts Year-end feeder system reconciliations



I will agree with you a schedule of working papers required to support the entries in the accounting statements.

**Pension Fund Annual Report**

I will also review and report on the accounting statements included in the Pension Fund's Annual Report prepared under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

# Key milestones and deadlines

The Pension Fund must prepare accounting statements by 30 June 2012. I aim to complete my work and issue my opinions on the accounting statements in the Statement of Accounts and the Pension Fund Annual Report by 30 September 2012.

Table 2: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	Spring 2012 – to be agreed	Annual Governance Report
Opinion: receipt of accounts and supporting working papers	Late June 2012	
Opinion: substantive testing	Late June – September 2012	Annual Governance Report
Present Annual Governance Report at the Audit Committee	19 September 2012	Annual Governance Report
Issue opinion on accounting statements included in the Statement of Accounts	By 30 September 2012	Auditor's report
Issue opinion on accounting statements included in the Pension Fund Annual Report	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

# The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Maria Grindley District Auditor	m-grindley@audit-commission.gov.uk 0844 798 8952	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive and Assistant Chief Executive and Chief Finance Officer.
Mary Fetigan Audit Manager	m-fetigan@audit-commission.gov.uk 0844 798 8978	Manages and coordinates the different elements of the audit work. Key point of contact for the Assistant Chief Executive and Chief Finance Officer and the Assistant Head of Oxfordshire Customer Services.
Nicola Batchelor Principal Auditor	n-batchelor@audit-commission.gov.uk 0844 798 4454	Team leads the key elements of audit work and attends Pension Fund Committee as required.



# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB, and with the Commission's additional requirements for independence and objectivity as summarised in Appendix 1.

Auditing and ethical standards require me to report to you relationships which may affect my independence and objectivity, or those of the Audit Commission or the audit team. I am not aware of any.

## Quality of service

I aim to provide you with a fully satisfactory audit service. However, if you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and do what he can to resolve the position.

If you are still not satisfied, you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

# Fees

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**The proposed fee for the audit is £39,414 as set out in my letter of 6 April 2011.**

## **The audit fee**

The Audit Commission has set a scale audit fee of £39,414.

Variations from the scale fee occur only where my assessments of audit risk and complexity differ significantly from those reflected in the 2010/11 fee. I have not identified any significant differences, so I have set the fee at the scale fee.

## **Assumptions**

I show my assumptions in setting the fee in Appendix 2. Where these assumptions are not met, I may need to undertake more work, which may increase the audit fee. Where this is the case, I will discuss this first with Assistant Chief Executive and Chief Finance Officer and I will issue a supplement to the plan to explain any revisions to the risk and the fee impact.

## Total fees payable

As well as the fee for the audit, the Audit Commission will charge for the provision of non-audit services under the Audit Commission's advice and assistance powers where you have agreed this.

Based on current plans the fees payable are as follows.

Table 4: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	39,414	37,678	1,736
Non-audit work	0	0	0
<b>Total</b>	<b>39,414</b>	<b>37,678</b>	<b>1,736</b>

# Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 5: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.	All audit staff must declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards are introduced to reduce the threat to an acceptably low level.
	The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of auditor and senior audit staff assignments.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff must declare any gifts or hospitality, whether or not accepted. They may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	<p>All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure independence is not compromised.</p>
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

# Appendix 2 – Basis for fee

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## Assumptions

In setting the fee, I have assumed the following.

- The risk to the audit of the accounting statements is not significantly different from that identified for 2010/11. For example:
  - internal controls are operating effectively; and
  - I secure the co-operation of other auditors.
- Internal Audit meets professional standards.
- Internal Audit undertakes enough work on all systems providing material figures in the accounting statements for me to rely on it.
- The Authority provides:
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with them;
  - the full text of the Pension Fund Annual Report promptly;
  - other information requested within agreed timescales; and
  - prompt responses to draft reports.

Where these assumptions are not met, more work will be necessary, which is likely to mean an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting statements**

The Pension Fund accounts in the annual statement of accounts that the Authority must prepare. These report the financial performance and financial position of the Fund in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Annual Governance Statement**

The annual report on the Fund's systems of internal control supporting how the Fund achieves its policies, aims and objectives.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the accounting statements presented to the [Pension Panel] before issuing the audit opinion.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work auditors carry out under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing to meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB containing basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

## **Auditor(s)**

Auditors appointed by the Audit Commission.

## **Code (the)**

The Code of Audit Practice issued by the Audit Commission and approved by Parliament.

## **Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

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## **Ethical Standards**

Pronouncements of the APB containing basic principles on independence, integrity and objectivity which apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

## **Internal control**

The whole system of controls, financial and otherwise, that the Pension Fund establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## **Materiality**

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.



The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

### **Pension Fund Annual Report**

The annual report, including accounting statements, that the Pension Fund must publish under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Pension Fund. This term includes the members of the Authority, [the Pension Panel] and the Audit Committee.

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- any third party.



# Certification of claims and returns - annual report

Oxfordshire County Council

Audit 2010/11



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# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies, and must complete returns for it to government departments. My certification work gives these grant-paying bodies assurance that claims are made properly or that information in financial returns is reliable. This report summarises my work on your 2010/11 claims and returns.**

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work they must do before giving that certificate. The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but broadly:

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- below £125,000 the Commission does not make certification arrangements and I do not need to audit the claim or return;
  - between £125,000 and £500,000, I undertake limited tests to agree form entries to underlying records, but do not test that the expenditure is eligible; and
  - over £500,000 I plan and perform my work in accordance with the certification instruction. I assess the control environment for preparing the claim or return to decide whether I can rely on it. Depending on the outcome, I undertake testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

# Summary of my 2010/11 certification work

---

**Significant improvements were seen in the compilation of the sure start claim and the teachers' pension claim remained strong. However, I encountered problems with the employment based initial teacher training (EBITT) claim for a second year.**

In 2010/11, I checked and certified three claims and returns. The quality of compilation varied between the claims. Arrangements for completion of the Teachers Pension claim remained strong and significant improvements have been made in arrangements for the completion of the Sure Start claim. You have carried out many of my recommendations and have improved your general arrangements. However, I could not fully certify the employment based initial teacher training (EBITT) claim and issued a qualification letter. In addition, I found errors on the claim. A number of recommendations have been made to support you in improving the compilation of this claim.

Table 1: **Summary of 2010/11 certification work**

<b>Number of claims and returns certified</b>	
Total value certified	£67,688,774
Number of claims and returns certified	3
Number of amended due to errors	1
Number where I issued a qualification letter	1
Total cost of certification work	£17,825

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues.

All claims reviewed were above the £500,000 threshold. I assessed the teachers pension claim as low risk and were able to carry out a limited review. Due to issues found last year I was required to complete more extensive testing on the sure start and EBITT claims.

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Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Teachers' pensions return	£37,265,431	Y	£nil	N
Sure start, early years and childcare grant and aiming high for disabled children grant	£29,131,528	Y	£nil	N
Employment-based initial teacher training	£1,291,815	Y	£12,051	Y



## Teachers' superannuation return

The Department of Work and Pensions requires me to certify the return for the teachers' pension scheme, which works separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government.

The Council has good processes in place for completing this complex return. A minor adjustment was made to the claim in 2009/10, but no errors were found in 2010/11. The working paper file was provided at the start of the audit, and was found to be comprehensive and well presented. The payroll manager was extremely helpful, providing comprehensive and timely explanations to our queries.

## Sure start, early years and childcare grant and aiming high for disabled children grant

The Council runs and funds facilities under the SureStart scheme as part of providing pre-school education, support and development, with specific funding to support young children with disabilities. The Department for Education requires me to check this claim and certify that spending meets government criteria. The sure start claim is complex and cuts across different departments. Despite this, I found the quality of working papers was of an excellent standard and officers responded well to our queries.

Two significant issues were identified in 2009/10:

- The Council did not have sufficient processes in place to promptly monitor expenditure of grant funding passed to third parties and
- The Council did not maintain an asset register of all assets wholly or partly funded from grant money and was therefore unable to provide assurance that no grant funded assets have been disposed of or transferred to a non-grant funded service.

It was clear that staff had worked hard to resolve these issues and I was able to certify the claim without amendment or qualification. All staff members who assisted with the audit were extremely helpful in providing additional information.

## Employment-based initial teacher training

The Council arranges placements in schools for graduates and provides the necessary training for them to achieve qualified teacher status. This training is funded from employment-based initial teacher training grant (EBITT) from the Training and Development Agency for Schools (TDA).

Although I noted some improvements against the recommendations made last year, I encountered significant problems with this claim for a second year. This led to a number of delays and additional audit time. The audit began on 7<sup>th</sup> November, but was not concluded until 19<sup>th</sup> December. The following problems were encountered:

- The claim was presented for audit with minor arithmetic errors on it.



- Working papers were not presented with the claim. As a result some delays in the provision of key working papers occurred and required specific audit input to set out what was required.
- Queries took longer to resolve than expected in some cases because insufficient evidence was initially provided.
- Guidance had not been followed in all cases. For example, the basis of completion was changed in 2010/11 from cash to accruals. The Council made some amendments for accruals but the claim was not amended for all transactions raised in 2010/11 relating to the previous academic year. Following identification of the error by audit, the Council partially adjusted the claim but failed to identify a number of other prior year transactions that were subsequently picked up by audit on further review.
- The TDA made an error on its website regarding data for a teacher. The Council subsequently relied on this data. The Council's records with regard to this teacher were correct and the error should have been identified and a query raised with the TDA before submission of the claim.
- A number of errors were made when amendments resulting from the audit were made to the claim. This led to a number of drafts being produced. It should be noted that guidance from the grant paying body (TDA) arrived late and did not appear to fully align with the auditor's certification instruction. For example, there was a requirement in the auditor's instructions for councils to inform the TDA of significant additional "other expenditure". Officers report that this was not included within the preparation guidance.

There were a number of amendments required to the claim and the income and expenditure account:

- There was a £2,600 error between training grant and salary grant on the claim;
- £12,050 had been over claimed as a full year's grant was included for a student who only attended for part of the year;
- On the income and expenditure account, £7,970 of fully depreciated assets were initially charged as "loss on disposal of fixed assets" to the 2010/11 period although they had not been disposed of;
- £93,592 expenditure which related to 2009/10 had been incorrectly included in the income & expenditure account; and
- Audit fees of £10,480 were not included in the income and expenditure account, as required by the grant instructions.

The claim was qualified on two counts:

- The income and expenditure account 'educational supplies and services' included £102,370 of grant payments to schools allocated per trainee rather than actual expenditure by the schools on supplies and services; and

- The income and expenditure account 'other expenditure' included £61,000 of extra funding the Council provided to schools. The Council paid this to schools at £1,000 per trainee. This figure matched the reduction in grant payments from TDA compared to previous years. The partnership used part of its brought forward surplus to fund these payments. The partnership did not obtain prior approval from the grant paying body (TDA) for these additional payments.

# Summary of progress against previous recommendations

## This section considers your progress completing previous recommendations.

Generally good progress has been made on implementing my previous recommendations. However progress has been weaker on the EBITT claim.

Table 3: Summary of progress on recommendations from earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
<p>Develop a standard grant claim checklist to ensure that:</p> <ul style="list-style-type: none"> <li>all requirements of the grant claim terms and conditions are met before submission to the grant paying body/auditor</li> <li>the grant claim is fully and correctly completed and the claim is supported by full working papers</li> </ul>	Medium	10.01.2011	Strategic Finance Manager (Financial Accounting & Reporting)	Yes
Implement an independent review of all claims and working papers before certification and sending for audit.	Medium	10.01.2011	Finance Business Partners	Yes

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
Ensure there are controls in place to prevent and detect duplications within grant claims.	Low	10.01.2011	Finance Business Partners	Yes
Implement plans to obtain sufficient assurance that all expenditure on the Sure Start claim passed to third parties has been spent on eligible purposes before the period end.	High		Sure Start team	Yes
Maintain an asset register specifically listing all assets wholly or partly funded from Sure Start grant money in line with the grant terms.	Medium		Sure Start team	Yes
Inform the grant paying body of any sure start funded assets that have been disposed of or transferred to a different use.	Low		Sure Start team	Full review of asset register took place but found no disposals or transfers to report
Ensure that all figures on the Teachers' Pension return agree to supporting working papers and amounts are therefore correctly classified between employers and teachers contributions paid.	Low	06.01.2001	Payroll Manager	Yes
Sign the EBITT return prior to submission to the auditors	Low	07.01.2011	Partnership Manager	Yes
Review EBITT claim terms and conditions to ensure that all information required is provided	High	07.01.2011	Partnership Manager	Partially
Retain an audit trail of the EBITT return to the general ledger	High	07.01.2011	Partnership Manager	Yes

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
Implement procedures to ensure that only eligible expenditure is included in EBITT claims and returns.	High	07.01.2011	Partnership Manager	Partially
Ensure that all EBITT expenditure items can be agreed back to supporting documentation and evidence to show they are eligible.	Medium	07.01.2011	Partnership Manager	Partially

# Summary of recommendations

This section highlights the recommendations from my work in 2010/11 and the actions agreed.

Table 4: Summary of recommendations arising from 2010/11 work

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
Review the EBITT claim prior to submission for audit to ensure figures agree to supporting working papers and arithmetic is correct	medium	The Partnership accepts all of the points. These are sensible suggestions which will help improve processes in the future. We appreciate the need to seek greater clarity from the auditors on the level of evidence required and will seek clarification from the TDA to the points raised so that we are clearer about expectations for next year's audits.	2011/12 claim	Partnership Manager
Ensure that all supporting income and expenditure listings are provided with the EBITT claim	high	as above	2011/12 claim	Partnership Manager
Focus on providing accurate and relevant responses to audit queries. If in doubt, seek clarification from the auditors/grant claim coordinator on the level of evidence required.	high	as above	2011/12 claim	Partnership Manager

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
<p>Review EBITT claim terms and conditions to ensure that the claim has been completed in full accordance with the guidance. Seek written clarification from the grant paying body (TDA) in areas of doubt.</p>	<p>high</p>	<p>as above</p>	<p>2011/12 claim</p>	<p>Partnership Manager</p>
<p>Seek prior written approval for any EBITT expenditure that falls outside the TDA's definition of eligible expenditure</p>	<p>high</p>	<p>Written clarification from TDA was sought retrospectively with regard to issues this year – but this was not forthcoming with regard to one important matter - the need to seek permission from the TDA for expenditure that falls outside the description of eligible expenditure.</p>	<p>2011/12 claim</p>	<p>Partnership Manager</p>
<p>Seek clarification from the TDA on whether it is sufficient to include EBITT grant monies paid over to schools rather than money spent by the schools on eligible goods and services.</p>	<p>high</p>	<p>The Partnership accepts all of the points. These are sensible suggestions which will help improve processes in the future. We appreciate the need to seek greater clarity from the auditors on the level of evidence required and will seek clarification from the TDA to the points raised so that we are clearer about expectations for next year's audits.</p>	<p>2011/12 claim</p>	<p>Partnership Manager</p>
<p>Ensure that any amendments arising from the audit of the EBITT claim are correctly calculated and understood</p>	<p>high</p>	<p>as above</p>	<p>2011/12 claim</p>	<p>Partnership Manager</p>

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
<p>before presentation to audit.</p> <p>Ensure that TDA data agrees with that held by the partnership before seeking to rely on it when completing the EBITT claim. Seek explanations for any differences from the TDA prior to submission of the claim.</p>	high	as above	2011/12 claim	Partnership Manager



# Summary of certification fees

This section summarises the fees for my 2010/11 certification work

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Teachers' pensions return	1,730	3,028	Positive findings in 2009/10 allowed for a more limited review. In addition working papers were strong and responses to audit queries were good.
Sure start, early years and childcare grant and aiming high for disabled children grant	3,862	2,638	Audit work focused on risk areas identified in 2009/10 to ensure issues had been addressed. Improved outcomes in 2010/11 will allow a more limited review next year if audit is required.
Employment based initial teacher training	10,480	8,356	Only partial implementation of prior years recommendations plus additional issues and errors in 2010/11.
<b>Total</b>	<b>16,072</b>	<b>14,022</b>	as above – note also grant management of £1,753

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



# **External audit**

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# **progress report**

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**January 2012**

**Oxfordshire County Council**

**Audit 2011/12**

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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# Introduction

1 This report identifies the work that I will deliver as part of my 2011/12 plan and progress against that. In addition this report also highlights key messages and challenges for the Audit Committee.

## Progress on 2011/12 audit plan

### Timeline of the audit and progress to date

2 The timeline for the audit work for 2011/12 to October 2012 is attached at appendix 1. Progress for the key parts of the 2011/12 audit is set out in appendix 2. I will provide reports, or other output as agreed, to the Audit Committee for each of the areas identified in the audit plan in line with the Committee's work plan. I will also ensure that any key messages arising from the audit will be reported to the Audit Committee within this report as they arise.

3 The audit for the 2011/12 annual accounts and VFM conclusion is on track as shown in appendix 2.

## Key messages and challenges for the Audit Committee

4 Where I have specific findings from my work or have identified deficiencies in internal control I will bring those to your attention. I have no such matters to raise within this report.

5 However I do have some wider information that will be useful to your role as an Audit Committee and I set that out below.

## Dealing with the economic downturn

6 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'. The report can be found [here](#).

7 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

8 The key findings in the report are as follows.

- Most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books.
- Although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets.

- To meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years.
- Councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

9 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.

## Protecting the Public Purse 2011

10 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.' The report can be found [here](#).

11 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

12 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers. The key areas where fraud was detected include procurement fraud, with 145 cases amounting to £14.6 million and Housing Benefit and local taxation.

13 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils.

14 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

15 In addition to the core report, there are separate briefings to specifically aid governors in schools and councillors in parish and town councils.

## Update on the externalisation of the Audit Practice

16 We set out the timetable for externalisation of the Audit Practice at the 21 September 2011 Audit Committee. A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

17 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

- 18** Against this background, the Audit Practice's focus remains.
- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
  - Managing a smooth transition from the Audit Practice to your new audit provider.

## Further information

**19** If you would like further information on any items in this briefing, please feel free to contact either Maria Grindley or Mary Fetigan.

**20** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).



# Appendix 1 Audit timeline

	April 2011	May - Sept	Oct	Nov	Dec	Jan 2012	Feb	Mar'	April	May	June	July	Aug	Sept	Oct ->
<b>2011/12 audit</b>															
Initial planning + fee letter	-----														
detailed planning							-----								
Interim audit work								-----							
accounts audit														-----	
Whole of Government Accounts Audit (WGA)															-----
VFM conclusion															-----
AAL															-----
Grants															-----

## Appendix 2 Audit progress

Period	Work planned	Delivered
Oct - Dec 2011	Update planning information and risk assessments Set testing strategy Start to document and walkthrough financial systems Agree overall plan and reliance with Internal Audit Initial high level VFM conclusion risk assessment	in progress initial draft, to be updated across audit in progress initial agreement, to be updated across audit done
January 2012	Draw together update of planning and risk assessments Issue detailed audit plan Finalise report on 2010/11 grants	To Audit Committee 18 January 2012 "
January - April	Document and walkthrough financial systems VFM conclusion detailed risk assessment	
18 April	Progress report Request for assurances from Audit Committee	
April - June	Review IA files and testing where we are planning to rely on their work Complete systems documentation Complete and top up testing required Continue to review relevant reports and outcomes relevant to VFM conclusion	

Period	Work planned	Delivered
4 July	<ul style="list-style-type: none"> <li>Progress Report to Audit Committee</li> <li>Receive assurances from Audit Committee (to be discussed)</li> </ul>	
July - August	<ul style="list-style-type: none"> <li>Update final accounts planning</li> <li>Deliver final accounts audit</li> <li>Vfm conclusion work completed</li> <li>Plan and begin grants work</li> </ul>	
September	<ul style="list-style-type: none"> <li>Complete and review final accounts audit and work on VFM conclusion</li> <li>complete WGA audit</li> <li>Discuss audit findings with S151 officer</li> <li>Prepare Annual Governance Report</li> <li>Sign opinions by due date 30 September</li> <li>Ongoing work on Grants</li> </ul>	
19 September	Present Annual Governance Report to Audit Committee	
October onwards	Prepare opinion audit report to officers (if required) Annual Audit Letter	

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



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January 2012

Division(s): N/A

## **AUDIT COMMITTEE – 18 January 2012**

### **INTERNAL AUDIT 2011/12 PROGRESS REPORT AND QUARTER 4 PLAN**

**Report by the Assistant Chief Executive and Chief Financial Officer**

#### **INTRODUCTION**

1. The Internal Audit Plan, including activity planned for Quarter 4 is attached as annex 1 to this report. The status of each audit is also recorded, together with a summary of the conclusions for completed audits since the last report was presented to the Audit Committee on 21 September 2011.
2. In addition to the Quarter 4 activity listed, there are two changes to the plan presented previously to the Committee:
  - At the request of the Director for E&E, an audit of the process for managing home to school transport contracts was undertaken. This audit was included as part of the overall audit days allocated for contract audit activity.
  - An audit of 6<sup>th</sup> Form Funding in schools commenced in Quarter 1, but has not been satisfactorily concluded. A decision has been taken to cancel the audit without conclusion, as unfortunately the work undertaken has not been of the necessary quality to meet audit standards. The main customer of this work was to be the Young Peoples Learning Agency (YPLA), who seeks assurance from Local Authorities on the management of their funds that are paid over to our 6<sup>th</sup> form centres. This should be an annual audit, but will not be completed this year.
3. There are several audits completed since the last report which have resulted in an audit opinion of "unacceptable"; i.e. CEF and SCS Safeguarding, and the Alert Service. These have all been reported previously to the Audit Working Group, who have called in the Senior Managers and received assurance that actions are being taken promptly to address the weaknesses identified.
4. In addition to the planned audit activity listed in Annex 1 and Annex 2, the Audit Managers are responding to ad-hoc queries and monitoring progress with key projects. One of these projects, AIS implementation in SCS does not feature in the planned work, because there is no substantive audit to be undertaken, but it is the role of the Audit Manager to monitor and challenge these key projects to ensure audit resources are deployed as required. For AIS, it is expected audit activity will be required in Q1 of 2012/13.
5. The Internal Audit Strategy approved by the Committee in March 2011 includes the further collaboration with Buckinghamshire County Council and the implementation of audit project management software, and action tracking software. There has been no further progress with the implementation of the

audit project management software, and a decision will be taken by the end of January 2012 whether or not to pursue this. The action tracking software has been purchased and we are currently working on the configuration. It was expected to have the system operational by Quarter 4, but resources have had to be reprioritised and the timetable has been put back to 1 April 2012.

6. With the exception of Buckinghamshire County Council, there remains uncertainty with regards to the future income generation from our existing external clients. As a result to date there has been no recruitment to vacant posts. However, following the resignation of another member of the team, who left in December, the in house team is now operating at only four audit staff, plus a CIPFA Trainee, therefore a recruitment process will commence before the end of January. As an interim measure a Senior Auditor has been appointed on a fixed term contract to the beginning of May.
7. Losing a further member of staff in December has impacted on the total number of audit days we can deliver in year. We had planned to deliver 1214 days but the latest estimate is this will reduced by 40 days to 1174. The impact of this is being managed to ensure the assurance based activity is not affected. The following mitigation has been applied:
  - The non-audit duties of the Audit Manager supporting the Corporate Governance Assurance Group have been transferred to a different team.
  - The implementation of the Action Tracking Software has been delayed.
  - Directorate risk and performance leads have been engaged to be more proactive in providing updates on implementation of management actions.
  - Proactive anti-fraud testing has been suspended

### **Counter - Fraud Plan**

8. The Counter-Fraud Plan is attached as annex 2 to this report.
9. There have been no material issues to note in respect of our counter-fraud work, but the Audit Commission have confirmed they are satisfied with the work that has been completed to date in investigating data matches arising from the National Fraud Initiative data matching exercise.

### **Internal Audit Performance**

10. The current status of the planned audit activity is as follows (detailed in Annex 1):

Audits not yet started	6
Audits being scoped	10
Terms of Reference issued	3
Testing	14
Exit Meeting	8
Draft Report	6
Final Report	24
<b>TOTAL PLANNED AUDITS</b>	<b>71</b>

11. The current performance against the key indicators is as follows:
- **Exit Meetings delivered within 3x number of audit days, from issue of Final TOR:**  
We have met this for 78% of the exit meetings completed. For 7 audits where the PI was not achieved, 3 of these exceeded the PI by 7 days or less. The other 4 experienced more significant delays ranging between 23 and 43 days over the PI. Reasons for this include delayed start of fieldwork due to the auditees, following TOR issue and also complexity of some of the audits. We have also moved to issuing a preliminary draft report prior to the exit meeting, this impacts on the auditor and audit manager's timeframe, as the report has to be prepared and full file review completed pre exit meeting.
  - **Draft reports issued within 15 days of the exit meeting:**  
We have met this for 60% of the draft reports issued. Of those not met 4 reports exceeded the PI by 5 days or less. The other 8 exceeded the PI between 10 days and 51 days over.
  - **Final reports issued within 15 days of the draft report:**  
We have met this PI for 38% of the final reports issued. For those where the PI was not met this ranges between 4 and 30 days exceeded the PI. Reasons for some have included the complexity of issues identified, the number of Senior Managers involved in the audits, and with some the impact of organisational change and restructure, for example change in reporting lines.
  - **Customer Satisfaction overall average <2**  
20 PAQ issued. 4 have responded. No chasing this year. Average score of response = 1.37
12. There is considerable room for improvement with our performance against the targets set, which in addition to the explanations provided above, is also a reflection of the change in the audit resources in the year. A significant amount of the planned work has been outsourced which has impacted on the overall performance.

## **RECOMMENDATION**

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

Ian Dyson  
Assistant Head of Finance (Audit)

Background papers: None.

Contact Officer: Ian Dyson 01865 323875

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**ANNEX 1**

**2011/12 Internal Audit Plan (including Q4 Audits) - Status of Audits**

(Audits completed since the last Report, 21 September 2011, are shaded and a summary of the overall conclusion are shown at the end of this annex)

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
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	Audit	Scope/Objective	Quarter	Current Status
EE	EE Governance and Financial Management (including Customer Services)	<p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>In Quarter 1 our work will focus on Performance Management</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing.</p> <p>The work in quarters 3 &amp; 4 will include both testing at a corporate level, but also visiting a sample of teams / services across the organisation to test application of key governance and financial procedures. Within EE an audit of the governance and financial processes at an area office will be undertaken.</p>	<p>1</p> <p>2</p> <p>4</p>	<p>Final Report on Performance Management</p> <p>Audit Conclusion: <b>Issues</b></p> <p>Testing</p> <p>Scoping</p>

	Audit	Scope/Objective	Quarter	Current Status
EE	Property and Facilities Procurement (ISOS Phase)	<p>The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the first phase review, completed in March 2011. The ISOS Stage, tender briefings and dialogue phase will be reviewed in quarter 2 and the ISDS Stage, dialogue and selection of preferred bidder will be completed in quarter 3.</p> <p>Further work on the mobilisation phase will be considered in quarter 4.</p>	2	<p>Final Report</p> <p>Audit Conclusion: <b>Acceptable</b></p>
EE	Highways and Transport Contract Follow Up	<p>Operational from the 1 April 2010, this years audit will follow on from the 2010/11 review, focussing on the issues raised in relation to the operational processes designed to deliver the services of the Highways Contract.</p> <p>The review will assess progress in implementing the service Improvement Plan, as well as the effectiveness of the performance and risk management arrangements.</p>	1	<p>Final Report</p> <p>Audit Conclusion: <b>Unacceptable</b></p>
EE	Concessionary Travel	<p>With the administration of the Concessionary Travel scheme transferring to County Council responsibility from the 1<sup>st</sup> April 2011, the audit will focus on the handover arrangements and the design and effectiveness of processes and systems implemented the manage the scheme.</p>	1	<p>Final Report</p> <p>Audit Conclusion: <b>Issues</b></p>
EE	Home to Schools Transport	<p>The audit will review the process for tendering home to school transport contracts and the contract monitoring arrangements in place, including the mechanism for monitoring provider performance and any related service issues that arise.</p>	3	<p>Draft Report</p>

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
EE	Energy Strategy	A new Energy Strategy is currently being developed within E&E and is due to be adopted during the summer. The audit will focus on the governance arrangements in place to monitor and deliver the requirements of the Energy Strategy, including data quality arrangements.	2	Draft Report
EE	Property and Facilities Procurement (ISDS Phase)	The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the second phase review, completed in June 2011, looking at the contract specification, any related tender documents and the schedule for the ISDS phase.  Further work on the contract and service design will be completed in quarter 4.	4	Scoping
EE	Highways and Transport Contract	This audit will involve a detailed review of the current end to end processes in place for the service. Testing will focus on a large sample of task orders and payments with a view to comment on the effectiveness and accuracy of the processes in place. The audit will also review the effectiveness of the governance, performance and risk management arrangements in place. Testing will also follow up on the actions agreed during the previous report issued in August 2011.	3	Draft Report
EE	Waste Collection Contract	The audit will cover the period from tender evaluation through to use and management of the contract to date.	3	Testing

	Audit	Scope/Objective	Quarter	Current Status
EE	Capital Contract	The audit will review the approach to programming and estimating the scheme through to post completion review of the project, depending on its status.	3	Draft Report
EE	Property and Facilities Procurement (Contract Phase)	The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the third phase review, completed in January 2012, looking at the tender submissions and decision to select the preferred bidder.  Further work on the contract and service design will be completed in quarter 1 2012/13.	4	To start
EE (Custom Services)	Insurance	The audit will provide assurance on processes in place to ensure that the Council has adequate cover for insurable risks and claims are being processed accurately and timely.	1	Final Report  Audit Conclusion: <b>Issues</b>
EE (Custom Services)	Procurement Strategy and Governance	The audit will provide assurance on the effectiveness of the Council's Procurement Strategy and its governance arrangements. This includes how the strategy is being delivered, general procurement planning, advice and guidance.	3	Testing
EE (Custom Services)	Pensions Fund	An annual review to test the key controls providing assurance that the pensions fund is being properly managed, with funds invested securely maximising investment opportunities.	3	Testing

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
EE (Customer Services)	Accounts Payable	This audit is undertaken annually to provide assurance that payments to creditors are timely and in respect of goods or services required and received by the council. It will cover procure to pay processes in SAP R3, and SRM. The audit will also include the transfer of data from any feeder systems.	3	Testing
EE (Customer Services)	Payroll	This audit is undertaken annually to provide assurance that payments are accurate, timely and paid to legitimate employees only.	3	Testing
EE (Customer Services)	Pensions Admin	An annual review to test the key controls providing assurance that members' records are accurately maintained, and that payment through the pension's payroll are accurate and made on a timely basis to legitimate pensioners only. This audit will also consider the processes for the admission and withdrawal of organisations to and from the pension fund.	4	Scoping
EE (Customer Services)	Accounts Receivable	An annual audit to provide assurance that debtor income is identified recorded and collected in a timely and efficient method. The audit will also review other debt management procedures including the cancellation and writing off of debts. The scope will cover debts managed corporately on SAP and those relating to Adult Social care managed through the Abacus System. The audit will also include procedures at local sites responsible for raising debtor invoices.	4	Scoping

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
EE (Customer Services)	Capital Accounting (incl. Capital Programme Management)	An annual review to test the key controls to provide assurance over the accuracy and integrity of capital financing and capital transactions. The audit will also test controls around the management of the Capital Programme.	4	Scoping
EE (Customer Services)	General Ledger & Main Accounting	This is an annual audit, testing the key controls to provide assurance that financial transactions are properly recorded to enable the production of timely and accurate statement of accounts, and management accounts. The planned days also provides for a review of non-SAP feeder systems, ensuring there are adequate and effective controls in place to give assurance on the accuracy and integrity of data being transferred into SAP Accounts Payable, Account Receivable and the General Ledger.	4	Scoping
EE (Customer Services)	Schools Support	The Schools Support and Technical Team is the main provider of assurance on the performance of financial management at schools. This is an annual audit.	4	Scoping

	Audit	Scope/Objective	Quarter	Current Status
EE (Customer Services)	Governance and Financial Management	<p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11 within OCS, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p> <p>The work in quarters 3 &amp; 4 will include both testing at a corporate level, but also visiting a sample of teams / services across the organisation to test application of key governance and financial procedures. Within OCS sampling across teams will be performed to ensure compliance with key processes and procedures.</p>	<p>1</p> <p>2</p> <p>4</p>	<p>Final Report on Performance Management</p> <p>Audit Conclusion: <b>Issues</b></p> <p>Testing</p> <p>Scoping</p>
EE (Customer Services)	ICT Strategy	The audit will provide assurance on the implementation of the current ICT Strategy. The audit will review the strategy to ensure it is being effectively delivered, monitored and managed. The review will also ensure that the benefits of ICT are fully realised and the development of ICT supports corporate objectives and priorities.	1	<p>Final Report</p> <p>Audit Conclusion: <b>Acceptable</b></p>



	Audit	Scope/Objective	Quarter	Current Status
EE (Customer Services)	Data Centre Security	The review will provide assurance on the physical and environmental security controls at the Clarendon Data Centre and a sample number of communication rooms.	2	Final Report  Audit Conclusion: <b>Acceptable</b>
EE (Customer Services)	Disaster Recovery Project (Pt. 1)	The audit will provide advice on the implementation of the Disaster Recovery Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	1	Final Report  Audit Conclusion: <b>Issues</b>
EE (Customer Services)	Disaster Recovery Project (Pt. 2)	The audit will follow on from the first audit and provide advice on the implementation of the Disaster Recovery Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	2	Final Report  Audit Conclusion: <b>Acceptable</b>
EE (Customer Services)	SAP Collaboration Review	The audit will review the management and governance controls over the proposed partnership with Hampshire on the SAP collaboration.	2	Final Report  Audit Conclusion: <b>Issues</b> <b>Further work is planned in Q4</b>
EE (Customer Services)	MS Enterprise Programme (Pt. 1)	The Microsoft Enterprise Services Programme will address the work to upgrade desktops and laptops to a base level of Windows 7 and Office 2010. The audit will provide assurance management and governance arrangements in delivering MS Enterprise programme and operational and systems controls in place.	2	Final Report  Audit Conclusion: <b>Issues</b>

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
EE (Customer Services)	MS Enterprise Programme (Pt. 2)	This audit will follow on from the first stage on the audit and provide assurance on the current status of the programme.	3	Final Report  Audit Conclusion: <b>Acceptable</b>
EE (Customer Services)	Internet Access and Security	The audit will review the controls over Internet and email access, including the management of filtering software.	3	Final Report  Audit Conclusion: <b>Issues</b>
EE (Customer Services)	Access to Systems	The audit will review the level of access provided to ICT support staff on a sample number of corporate systems and applications. Testing will be completed on the following critical systems: Swift; ESCR; Abacus; Capita One and Frameworki. Testing will be carried out at server, database and application level, as appropriate.	3	Draft Report
EE (Customer Services)	Government Code of Connect	The audit will review the controls in place for complying with the Government Code of Connect.	3	Testing
EE (Customer Services)	Accounts Payable Basware System	The review focussed on the implementation of the Basware system for the automatic processing of invoices introduced into the accounts payable process.	1	Final Report  Conclusion: <b>N/A</b>  However, it was found that the proposed processes appear to be satisfactory.

	Audit	Scope/Objective	Quarter	Current Status
CEF	CEF Governance and Financial Management Qtr 1	<p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p> <p>During quarter 2 Internal Audit will review the area of project management in CEF, as this was not tested for this directorate as part of the 2010/11 audit. The audit will provide assurance that the directorate ensures that all projects are appropriately authorised and effectively managed to ensure that objectives are achieved and that projects are completed within the required timescales and budget.</p> <p>The work in quarters 3 &amp; 4 will include both testing at a corporate level, but also visiting a sample of teams / services across the organisation to test application of key governance and financial procedures. Two teams have been selected one in Q3 and one in Q4.</p>	<p>1</p> <p>2</p> <p>2&amp;3</p> <p>3&amp;4</p>	<p>Final Report on Performance Management</p> <p>Audit Conclusion: <b>Issues</b></p> <p>Testing</p> <p>Exit Meeting</p> <p>Team audit Q3 – Final Report Pending</p> <p>Team audit Q4 - scoping</p>

	Audit	Scope/Objective	Quarter	Current Status
CEF	CEF Safeguarding	<p>This audit has been deferred from 2010/11 Internal Audit Plan. The aim of the audit will be to provide assurance that safeguarding framework, policies and procedures are working effectively.</p> <p>The audit will review the quality assurance framework, reviewing the scope adequacy, and reporting mechanisms within this process. The audit will also review the systems and processes in place for caseload management. The audit will follow up on any outstanding actions and test implementation of any priority 1 management actions from previous audits of Safeguarding Training, Safer Recruitment, and also relevant actions regarding accuracy and completeness of Frameworki data included in the audit undertaken of Performance Indicators.</p>	1&2	<p>Final</p> <p>Audit conclusion: <b>Unacceptable</b></p>
CEF	YPLA (Young People's Learning Agency) – Sixth form funding	Under the requirements of the YPLA Internal Audit are required to provide assurance on a cyclical basis over the funding paid in respect of local authority maintained schools with sixth forms. It will include review of processes in place to verify the completeness and accuracy of the school's data returns.	1	This audit has been cancelled.

	Audit	Scope/Objective	Quarter	Current Status
CEF	Review of Early Intervention Hubs	<p>In preparation for the introduction of the Early Intervention Hubs, there are a number of Task and Finish Groups in place who are responsible for ensuring the management and implementation of different aspects of the project. This includes reviewing the existing business processes to identify whether they will be required in the longer term and if retained what changes will be required. Internal Audit will provide an overview of this project, in order to provide assurance on the controls being designed with the implementation of the hubs.</p> <p>Internal Audit will review the project management arrangements, and at key stages provide advice / assurance over the key processes planned, to include review of what data quality / assurance mechanisms will be in place for the recording and reporting of key data.</p> <p>Part 2 of this audit is due to be scoped and agreed – It is intended that it will provide assurance on the arrangements for data management reviewing the transitional arrangements in place for transferring data to a new system. The audit will also review the arrangements for developing a new quality assurance system.</p> <p>It is envisaged that review of processes in relation to referrals and pathway will be undertaken next financial year.</p>	<p>1</p> <p>4</p>	<p>Part 1 complete – Conclusion <b>Acceptable.</b></p> <p>Part 2 – scoping</p>

	Audit	Scope/Objective	Quarter	Current Status
CEF	One System (EMS)	One system is the main pupil database used across CEF. The audit will look review the use of the system across the directorate and to provide assurance on the accuracy and integrity of data on the system. A key aspect of the audit will be to review the financial governance surrounding payments using information generated by the system. The audit will specially review the business processes in place to generate payments to providers within the Early Years Service.	1	Final  Audit conclusion: <b>Acceptable</b>
CEF	Early Years	Early Years – Delivery of Savings Plan. During quarter 1 Internal Audit will look to provide assurance on the robustness and accuracy of the savings plans in place for Early Years. The audit will consider the new structural changes in place and responsibilities for achievement of each part of the savings plan, reviewing that appropriate budget monitoring mechanisms are in place. Internal Audit will work with the Deputy Director (Education and Early Intervention) to identify any future Internal Audit activity required to consider key governance and financial management controls as processes are reviewed / re-designed as part of the implementation of the CEF Business Strategy.	2&3	Testing
CEF	Payments to Foster Carers – Trojan System	From 2011/12 payments to Foster Carers are being processed via the Trojan system. These were previously administered via spreadsheets. Internal Audit will test the key controls to provide assurance on the accuracy, integrity and reliability of payments made.	2	Draft Report
CEF	Children's Centres	The audit will provide assurance on the project within CEF to review 44 Children's Centres across the county. The review will focus on the project management arrangements, and at key stages provide advice / assurance over the key processes planned and the overall implications on delivery of the directorate's Business Strategy.	n/a	Audit deferred until 2012/13.

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
CEF	Schools Assurance – Schools Capital Accounting	In addition to the schools programme of individual assurance visits, throughout 2011/12 Internal Audit will look to undertake thematic reviews of key risk areas to provide the S151 officer with assurance on the financial control environment. The audit of Schools Capital Accounting will be the first thematic audit review, by reviewing a sample of schools to provide assurance to provide assurance on the robustness of processes for the allocation, monitoring and financial recording of capital monies.	3	Testing
CEF	Contract Procurement and Contract Management	Audits of a selection of capital and revenue contracts to provide assurance on the contract procurement and contract management arrangements in place.	3&4	Exit Meeting

	Audit	Scope/Objective	Quarter	Current Status
SCS	SCS Governance and Financial Management	<p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing.</p> <p>The work in quarters 3 &amp; 4 will include both testing at a corporate level, but also visiting a sample of teams / services across the organisation to test application of key governance and financial procedures. Within SCS two areas have been selected: Trading Standards and also a sample of managers across Adult Social Care.</p>	<p>1</p> <p>2</p> <p>3&amp;4</p>	<p>Final Report on Performance Management</p> <p>Audit Conclusion: <b>Issues</b></p> <p>Testing</p> <p>Testing</p>
SCS	Alert Service	The review will focus on the processes for re-assessing clients by Community Voice, that financial forecasts are accurate and robust, the financial charging process is effective and contract management and monitoring arrangements are in place.	1	<p>Final</p> <p>Audit Conclusion: Unacceptable</p>
SCS	Self-Directed Support	The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, care plan delivery and client documentation.	1&2	<p>Final</p> <p>Audit Conclusion: Issues</p>



	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
SCS	Safeguarding	The aim of the audit will be to provide assurance on the quality assurance framework for Safeguarding in respect of externally provided services, reviewing the scope, adequacy and reporting mechanisms within this process. The audit also will provide assurance on the annual review process, in respect of delivering safeguarding objectives. The audit will consider current improvements already planned or being actioned by the Directorate within the area of Safeguarding and the multi-agency peer audit to be independently led by the Oxfordshire Adult Safeguarding Board.	2	Final Audit conclusion: Unacceptable
SCS	Client Care Funding	This audit will follow on from the observations raised during the 2010/11 review where the systems in place within SCS appear to not maintain the correct level of documentation to support delivery of the needs of the client. Testing will focus specifically on determining the process or control weaknesses and implications in not having robust systems to support service needs and operational decisions.	2&3	Final Audit Conclusion: Unacceptable
SCS	Contract Procurement & Contract Management	Audits of a selection of capital and revenue contracts to provide assurance on the contract procurement and contract management arrangements in place. (Introduction of RFID self- service in libraries, Redbridge Hollow Phase 2, LD Specialist Health and Carers Support Service) (joint SCS and EE assurance)	3&4	All at exit meeting stage.
SCS	Sustaining the Change	The Council's Transforming Adult Social Care project ended on the 31 <sup>st</sup> March 2011. This audit will review the quality assurance mechanisms and governance arrangements in place as part of Sustaining the Change and how the Directorate supports staff to deliver the required changes. The audit will follow up on previous audit work as part of SCS Governance and Financial Management – Budget Setting 2010/11 and consider the level of RAS savings included in the SCS Business Strategy and how these will be achieved.	n/a	This audit is on hold. The Self Directed Support Audit will look at the work currently on-going to review the effectiveness of the design processes and how they are operating.

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
CEO	Treasury Management	An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	1	Final Audit Conclusion: Issues
CEO	Members' Allowances	The audit will provide assurance on the systems and processes in place to ensure the accuracy and integrity of allowances paid.	1	Final Audit Conclusion: Issues
CEO	Business Strategy Programme	During quarter 1, Internal Audit will review the arrangements in place to monitor the delivery of the Directorate Business Strategies. It will include a review of the general governance arrangements, the management information being presented to the Business Strategy Group and any resulting actions. This analysis will help identify Internal Audit activity for 2011/12 to provide assurance that key risks associated with delivery of significant change across the organisation are managed effectively.	1	Draft Report

	<b>Audit</b>	<b>Scope/Objective</b>	<b>Quarter</b>	<b>Current Status</b>
CEO	Governance and Financial Management	<p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11 within CEO, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p> <p>The work in quarters 3 &amp; 4 will include both testing at a corporate level, but also visiting a sample of teams / services across the organisation to test application of key governance and financial procedures. Within CEO sampling across teams will be performed to ensure compliance with key processes and procedures.</p>	<p>3&amp;4</p> <p>3&amp;4</p>	<p>Testing</p> <p>Testing</p>

## Final Reports Issued since previous Audit Committee report (Sept 2011):

### E&E

#### EE – Performance Management

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved.

The main issues identified were from review of the EE balanced scorecard identified that none of the customer targets involved engagement with customers, service performance data for 2010/11 was reviewed on a quarterly basis, and the risk register did not link to identified performance management issues for OCS. Areas of good practice were noted in the progress moving forward to a cohesive delivery of performance management across the Environment and Economy directorate, to include the newly amalgamated Oxfordshire Customer Services, and the directorate focus on key business strategy deliverables.

#### Concessionary Travel

Our overall conclusion is ISSUES. Internal Audit identified there is generally a sound system of internal control, however some significant risks have been noted and there is therefore the possibility that some objectives will not be achieved. The significant risks noted in table 2 below are of particular concern.

There was a lack of procedural guidance for the allocation of responsibilities in the Bus Services Team and the processes for management information reporting and monitoring. Changes in the way in which the service will be provided in the future are being made and these will be considered as part of this. Risk Management arrangements are also not as robust as they should be and again it is understood that this will be covered under the changes. The current arrangements for the customer facing responsibilities of the service are detailed in approved agreements, and the future arrangements are being prepared under the Concessionary Fares – Customer Contact and Fulfilment Proposal. Invoices from Bus Companies and District Councils were found to have been processed without full supporting documentary evidence. Although much work was undertaken around forecasting reimbursement of fares improvements could be made to the trend quarterly forecasting method by using more than one year's historic data from the Bus Companies.

#### Insurance

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control, however some significant risks have been noted and there is therefore the possibility that some objectives will not be achieved.

The audit identified the following issues:

- There are no formal discussions between the relevant Directorate contacts and the Insurance section to review whether all major risks that have been identified within the Directorate risk registers have been accounted for within the necessary Insurance policies.
- A detailed review of the excess levels and deductible levels (taking into account historical claims data) was last carried out a number of years ago. This exercise has not been repeated since as a general exercise or even as part of the tender process for the current contract.
- Insurance information is being circulated to the appropriate level within Directorates, to assist management in making effective decisions on those issues affecting their Directorate. However, testing was unable to evidence what these individual officers were doing with these reports and whether these reports were being used in the risk management process on a Directorate basis.
- The recommendations that have been made by Zurich following their annual audit have not been followed up to confirm they have been implemented.
- Within the Scheme of Delegation, the Insurance Manager's approval limit for purchase orders, invoices and contracts is £25,000. However, the audit established that the Insurance Manager's approval limit on the relevant costs centres within SAP is £200,000.
- At the time of the audit, no work had been completed in reviewing the matches that had been returned as part of the National Fraud Initiative.
- During the audit, a sample of 30 different claim types processed during the year was reviewed. The majority of claims were correctly processed. However, testing found instances where claim data was missing from the Figtree system, CPR timetables were not met; initial Public Liability Highway claims judgements were based on incorrect information and a lack of independent review before or after claims were processed. Testing also identified claims that had been processed without complying with procedures and claims that had been passed to Zurich, below the threshold amount listed in the 'Procedures Manual'.

MS Enterprise Programme (Pt. 1) and (Pt.2)

Our overall conclusion for this audit is ACCEPTABLE.

The primary objective of the Microsoft Enterprise Services Programme is to upgrade all user desktops and laptops to a base level of Microsoft Windows 7 and Office 2010. At the completion of part of this audit it was identified that the majority of time and resource for this project had been spent on planning the work and making the necessary technical changes to the infrastructure. In terms of rolling out the new software, approximately 20% of the machines in ICT had been upgraded. The main roll-out to directorate areas was due to commence in October 2011.

The programme was being managed in accordance with an agreed structure that was documented in the Project Initiation Document. However, we identified a number of control weaknesses with the governance arrangements in place. This included:

- The meetings of the Governance Group and the Work Stream Leads Group are not documented. Furthermore, these meetings do not have any formal agendas and there is no evidence that they include a review of the project plan, risk log and issues log;
- Roles and responsibilities of key staff are not documented;
- The governance arrangements over work streams has not been agreed i.e. use of project plans, risk logs, issues logs etc;
- Programme costs are not being formally recorded, monitored and reported; and
- The approach to testing the new software has not been formalised and documented.

A significant part of the programme is to support users during the transition to Windows 7 and Office 2010 by the provision of training and awareness methods. There are a number of initiatives in place to do this and we found that key risks are being adequately managed.

During Q3 we completed Part 2 of this audit:

It is pleasing to report that ICT have taken action to address the areas of risk identified in the Part 1 Audit. Some subtle, but key changes have also been made to the structure of the programme, whereby each work stream is now a designated project within the overall programme with a nominated project manager.

The roll-out of the new desktop commenced on the 4 October 2011 and at the time of the audit, 1046 machines (17%) had been migrated and 4995 (83%) were left to do.

This review has identified a few areas where controls need to be improved, including:

- Ensuring all project costs are being reported and monitored against the budget for the programme;
- Reviewing the ownership of risks and prioritising all issues;
- Ensuring a formal change request is raised for all changes to the scope of the programme; and
- Investigating the anomalies regarding the results of application testing.

### SAP Collaboration

Our overall conclusion for this phase of the audit is ISSUES. Internal Audit identified that there is generally a sound system of internal control, however, some significant risks have been noted and there is therefore the possibility that some objectives will not be achieved.

ICT Services in Oxfordshire and Hampshire County Councils (HCC) have been exploring the opportunity to enter into a collaborative partnership. Initially this is centred on the opportunity around collaboration on SAP support, although other opportunities are also present including technical infrastructure and Document Management (EDRMS).

At the time of the audit (August 2011) the target date for commencement of the collaboration is the 1 October 2011; however, this is dependent on a number of key tasks being completed. Ultimately, the collaboration can commence anytime up to October 2012, when the current SAP support contract with Serco expires.

The key tasks that need to be completed include:

- The Partnership Agreement being finalised and approved;
- A proposal for the SAP collaboration being prepared and include performance indicators which need to be agreed with HCC;
- The Joint Board being convened to approve the SAP proposal. This can only happen after the Partnership Agreement has been approved. It should be noted that the composition of the Joint Board has yet to be agreed;
- The governance arrangements for the SAP collaboration being documented and agreed. This should include access levels for HCC support staff; and
- Serco being made aware of plans to terminate their contract. There is a need to take into account any early termination costs.

Further audit work will be completed during quarter four to review the effectiveness of the governance, protocols and controls in place.

### Internet Access and Security

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved.

Policies have been documented which define the Council's requirements for acceptable use of Internet and email facilities; these were found to be in line with expected standards in terms of permissible and prohibited activity. Tools have been established and configured to filter and monitor Internet and email usage by restricting access to inappropriate websites, checking for viruses and spam, and filtering email content. However, the audit identified some instances where the software configuration proved inconsistent with the stated policy. In addition, users connecting wirelessly through the OCCBB broadband link are not subject to any internet filtering.

Security administration for Internet and email is predominantly performed by the ICT team. A contract is also in place with Messagelabs for email checking and filtering; although change configurations can also be applied in-house.

We understand that it has been a business decision not to conduct proactive monitoring of Internet usage due to the large amounts of data created and overheads in terms of resource. However, some information is available in the event that post-activity monitoring was required, and line managers can request that individuals are monitored if they are concerned about usage (in terms of content or duration). Employers are legally permitted to monitor Internet activity providing users have been informed, however, the ICT Acceptable Use Policy does not clearly inform users of this.

## CEF

### CEF – Performance Management

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved.

The main issue identified was that the current format of the monthly dashboard of indicators for DLT does not include an implicit individual assessment of the associated service/business risk of not delivering performance targets to enable the Directorate to focus performance activity on areas of under-performance in order of service/business risk priority. Furthermore, we found partial implementation and compliance with management actions resulting from the CYPF Performance Indicators audit 2010/11. Four priority 2 actions, were not fully implemented at the time of audit testing. The four priority 2 outstanding management actions have been re-raised in the audit findings. At the time of finalising this report, two of the outstanding actions have now been reported as implemented. Areas of good practice were noted in the co-ordination, management and monitoring of performance under the weight of significant statutory requirements.



## CEF - Safeguarding

Our overall conclusion is UNACCEPTABLE.

Internal Audit acknowledges there has been significant upheaval within the CEF Directorate during the restructure. The restructure has created a new Safeguarding Manager and Area Social Care Manager posts as of the 01 June 2011. The audit report reflects historic and current quality assurance activity within the CEF Directorate.

The audit has identified that known risks in quality and assurance activity have not been identified in the risk registers.

The Quality Assurance Audit Framework is currently being reviewed by management, it currently does not include a reporting structure for the dissemination of QA information and QA compliance. Internal Audit testing identified that case audit review compliance within the Directorate is poor, and not effectively monitored, challenged or reported.

Internal Audit testing identified that monthly supervision requirements are not being complied to and compliance with supervision audit reviews are poor and not effectively monitored, challenged or reported.

Management acknowledge the weaknesses identified in respect of the quality assurance audit framework, with both case file audits and supervision audits, however report that other work has been undertaken to improve the quality of practices which include pre inspection audits and thematic reviews in the following areas; Children in Need, Thresholds for social care, Care proceedings, delivery of supervised contact and compliance with Frameworki. This activity was supplementary safeguarding work, which was outside the scope of this audit.

The audit reviewed the adequacy of monitoring of compliance with key social work practices and identified untimely compliance in actioning identified missing data and that management information was not identifying all data recording issues. Audit walkthrough testing identified issues with timeliness of data recording.

Follow up of the two audits undertaken in 2010/11 has identified that 4 from the audit of CYPF performance indicators have not been fully implemented, these have been repeated in the audit of Performance which has also been undertaken in quarter one/two of 2011/12.

## SCS

### SCS – Performance Management

Our overall conclusion is ISSUES. Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved.

The main issues identified were; timing of quarterly directorate reviews of performance management resulted in incomplete finance targets being reported and RAG rated, monitoring of compliance of SWIFT data quality reports, delays in the review of Learning Disability performance data and the drafting of Learning Disability performance targets for 2011/12, and performance risks on the risk register not being linking to performance management activity.

It is acknowledged that at the time of the audit the Directorate were in the process of reviewing and changing their performance management targets. Both Deputy Directors have also reported that they are currently reviewing and will establish revised operational adult social care key indicators.

This audit reviewed the management controls in place for data quality for the SWIFT and ETMS systems, which provide primary source data for some of the SCS performance management targets. An audit of Client Care Funding was being undertaken which covers data accuracy and integrity across Swift, Abacus, Document Manager and SAP. The audit of Client Care Funding has subsequently identified and will consider the issue of using other sources of data for performance management, for example locally established spreadsheets.

Areas of good practice were noted with performance targets including an individual assessment of the associated service/business risk of not delivering targets, and a qualitative narrative of the performance progress and risk analysis, providing an effective tool which provides a clear direction on progress and value of measuring individual performance targets.

### Alert Service

Our overall conclusion is UNACCEPTABLE. Internal Audit identified that the system of internal control is generally weak, and the exposure to risk is such that it is probable that objectives will not be, or are not being achieved. The system is open to the risk of significant error or abuse.

The audit identified various areas where there was evidence that key controls did not operate as expected, had not been put in to place or would need to be amended significantly to achieve their original objectives. As an overview, the following issues were identified.

SWIFT does not contain detail of all clients receiving the Alert Service, which was operational on the 1 April 2010. At the time of the audit (July 2011), approximately 1,760 of the 4,900 clients currently receiving the service existed on SWIFT. For the records that are on SWIFT, there were gaps in the basic client information that should be recorded on the system, for example amendments, transfers and the name of the service provider. Testing was also unable to establish what process would be adopted to ensure that the resulting database is continually updated with changes and how this will be resourced.

As part of the Governance audits completed by Internal Audit during the first quarter of 2011/12, the review concluded that the budgetary control processes in place for the Alert Service were not robust. Additional testing on financial monitoring and management completed as part of this review identified that invoices do not always contain details as to the amount of service users for whom they are charging the Council and that payment reconciliations have not been performed from the start of the contract to date. Our review found some areas where underpayments and small overpayments had been made. Additionally, a signed contract document has not been received from one provider.

We noted that no reassessments were carried out for any client who has transferred on to this service during the transition phase. Management confirmed that these service users would be reassessed as part of the review process.

In relation to the monitoring spreadsheets adopted, these are not designed to enable the providers to submit all the relevant information they are contractually obliged to provide and only eight contract performance indicators appear to exist on the monitoring schedule. Additionally, not all of the boxes on the spreadsheets are being populated by the service providers. The box for information to be provided on clients who had to be 'reviewed' was frequently not completed by any of the service providers. Currently, no checks are performed as part of the contract monitoring process around the integrity of the data being submitted and a review of the contract monitoring visits carried out for the year also show that no checks have been carried out relating to service provider's systems.

We also reviewed the monitoring information that was being submitted by providers to ensure that the correct level of detail and information is being provided. Testing found that the information that is produced in the monthly spreadsheet is anonymous and therefore does not provide detail on the reviews that have taken place. Service user data has recently been provided by service providers where reviews have been carried out, however, this is raw data and OCC then have to carry out analysis on this data.

Furthermore, a monthly report is received showing the number of calls that have been made per month and the reasons for these calls along with the actions that have been undertaken as a result. This report does not detail the number of client reviews and reassessments that have been undertaken due to a large number of calls made by individuals or any significant incidents that have been reported. The findings above mean that management are unable to fully consider whether reassessments should be carried out and whether the service providers are fulfilling their contractual obligations.

Testing was also undertaken on the financial assessment process in relation to the Alert Service. Testing found that fairer charging assessments had not been carried out for all service users to date, although this exercise was currently underway.

#### Self-Directed Support

Our overall conclusion is ISSUES. Internal Audit found that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives

will not be achieved. However, the controls in place are not operating effectively leaving an unacceptable exposure to significant risks.

Areas of good practice that were found during the audit included comprehensive guidance material made available to staff via the Council's intranet site. It was noted that all guidance material was up to date to reflect current working practices and included details on the steps that are to be followed from assessment stage to completion. Information on the SDS process is available via the OCC website and can be accessed by the public. There is information available that explains what the service entails and outlines the Council's statutory obligations. During the audit it was noted that the Direct Payment Guidance Policy was in the process of being reviewed.

There is a framework in place for identifying, addressing and monitoring risks that the Social and Community Services Directorate is facing. It was confirmed that risks that impact the SDS function have been identified and mitigating actions, along with responsible officers, have been assigned to each risk.

Performance indicator targets for 2011/12 have been agreed and these are monitored on a monthly and quarterly basis. The indicators monitor national and local targets and for each indicator commentary is given explaining the performance results. Instances where performance results are below the target are supported by explanatory notes, and action to be taken is identified.

The main issues identified were surrounding the SDS process and allocations. Sample testing identified a significant number of instances where the SDS process was not being followed as set out by the guidance manual. The majority of non-compliance was in relation to the approval of key documentation, where a number of instances lacked the required approval from the service users and/or senior practitioners. In addition, it was noted that information regarding the service users was not being consistently recorded on SWIFT and Document Manager. Social workers/care managers are required to record the indicative budget, approved personal budget and review information for each client on SWIFT.

Further areas of improvement include; the identification and documenting of changes in the service user's care needs. There is currently no mechanism for identifying the number of changes in circumstances that are being received. As a result, it is not possible to verify that changes in care needs that are reported are being documented and consequently followed up by a reassessment.

Monthly budget monitoring reports are produced that show the financial position of the pooled budget and therefore enables the identification of variances. Meetings are held with budget holders to discuss variances that are identified from the monthly reports. However, it was noted that meetings held are not minuted and actions not recorded, hindering the follow-up of such actions to ensure that they have been implemented.

Our overall conclusion is UNACCEPTABLE.

SWIFT indicates that 60% of service users have not had a client review in the last year. This figure is representative across all the different client groups, and both out-of-county and in-county placements. 384 people reside with out-of-county providers for which there is no proactive monitoring of the placement other than these client reviews. There is no systematic reporting of the completion figures of client reviews to the Directorate Leadership Team.

A number of Quality Monitoring Reports could not be located on the shared drives within the Contracts Teams. 11 of the reports within the Older People Contracts Team appear to have never been issued to the providers and are unlikely to be retrievable.

Whilst a number of different Care Home provider listings exist from different sources none of these gave an up to date comprehensive listing of all the providers; highlighting that this information is not available for management to accurately assess the frequency of visits.

The Older People Contracts Team complaint logs provides a good template but a high number of the fields have not been completed including the outcome field and Unit Manager sign off field so the value of the log to provide management information is limited and it is difficult to gain assurance that all complaints have been adequately dealt with.

Whilst it is clear that there is communication between the Contracts Teams and the Safeguarding Teams valuable information is not being shared. Without comprehensive Management Information available to both teams there is a risk that recurring or key issues may not be identified making it difficult for senior management to adequately manage their risks.

2/10 Management Actions from the 2010/11 SCS Safeguarding Audit had been not been implemented, all of which were Priority 1 Actions. New prompt completion dates have been provided.

### Client Care Funding

From on-going work within Social & Community Services by the Business Systems Team, it is known that there are issues with data accuracy and integrity within Swift. Management report that some of these issues are to be rectified through data cleansing and also through the introduction of the AIS system which will replace the user interface of Swift. Internal Audit has not yet seen the specification for the AIS system and therefore has not yet appraised this. It is also known that Finance staff (Management Accountants and the Data Control & Systems Development team) have identified problems with the way in which the personal budgets of LD clients are recorded on SAP and how this affects the accuracy of financial reporting within S&CS.

The following audits undertaken by Internal Audit have also identified data quality / performance management issues: Care Purchasing, Mental Health, Self Directed Support, Alert Service, Safeguarding; and Performance Management.

This has led to a detailed review being undertaken by Internal Audit of the information held on a sample of individual clients to trace through from Swift, what care is recorded as being provided, what care is being provided, how the clients care is being funded and that this is recorded correctly in SAP.

Based on the findings this audit and taking into account, those of other audits as referred to above, our overall conclusion is unacceptable. Internal Audit identified that the system of internal control is generally weak.

The work undertaken by Internal Audit focussed on a small sample reduced due to the significant time it took to follow each client through the various systems maintained and follow up on the queries identified. This identified some key issues with regard to differences in the information recorded between systems and lack of management controls or appropriate reporting mechanisms which should highlight this. As a result, the issues identified are not exhaustive and therefore management actions have been agreed in this report to ensure that all critical systems inputs and outputs are fully understood as part of the AIS implementation. Interim management actions have also been agreed, for example, the review of exception reports to improve data accuracy and integrity.

This audit focussed on the recording of clients care packages across the different systems in use within S&CS. It has not considered the systems in place for budgetary control. This will be covered by Internal Audit as part of a separate audit to be undertaken during the 2011/12 financial year. However, we would expect that system and process mapping that now needs to be undertaken within the directorate would include review of this.

### Members Allowances

Our overall conclusion is ISSUES.

The last review of members' allowances undertaken by Internal Audit was in 2007/08. Since then there have been significant changes to processes. In particular, the payments of allowances and expenses are now processed by Pay and Employment Information (PEI) and some testing regarding the appropriateness of claims is undertaken by PEI. Testing in relation to the payment of allowances and expenses has therefore focused on the controls in place to ensure that information is conveyed accurately and in good time to PEI by Law and Governance and the challenge role provided by Law and Governance to confirm that claims are accurate and appropriate.

The prioritisations of the actions raised in this report reflect the fact that Members' Allowances are high profile and subject to public scrutiny, particularly following recent national interest in MPs' Expenses. This increases the impact of risks associated with this area, particularly reputational loss.

The main finding from this audit is the need for the scheme to provide codified guidance to members to support them in completing reasonable claims, and remove the risk of ambiguity and challenge. It should be noted that testing found that good systems were in place to ensure that members and co-opted members only claim for and are only paid for expenses which relate to approved duties and no instances were identified where the integrity of the claim could not be verified.

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**ANNEX 2**

**COUNTER-FRAUD WORK PLAN FOR YEAR 2011/2012**

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
Creating an anti-fraud culture	1. Raising awareness: <ul style="list-style-type: none"> <li>• Combating fraud and corruption eLearning course to be reviewed, revised as necessary and re-publicised.</li> <li>• Assist CGWG members in raising awareness and take up of eLearning within their directorates.</li> </ul>	June 2011	eLearning reviewed and contents updated. ICT notified of changes required, with ICT to action.	Complete
	2. Articles and Newsletters: <ul style="list-style-type: none"> <li>• Submit news items for Council intranet on fraud and related subjects.</li> </ul>	August 2011	News item (as detailed in task / objective 2) ready for publication once revisions have been made.	Complete
	<ul style="list-style-type: none"> <li>• Review fraud and corruption corporate governance article</li> </ul>	June 2011	Intranet news item on revised Anti-Fraud & Corruption Strategy, Bribery Act, whistle blowing procedure and Combating fraud and Corruption eLearning produced. News item will be published once the revised strategy and eLearning course have been uploaded.	Complete
	3. Counter-Fraud Webpage: <ul style="list-style-type: none"> <li>• Develop &amp; maintain a Counter-Fraud section on the Intranet.</li> </ul>	May 2011	Review of fraud and corruption corporate governance statement completed.	Complete
	<ul style="list-style-type: none"> <li>• Develop &amp; maintain a Counter-Fraud section on the Council's</li> </ul>	July 2011	Intranet and internet (public site) pages on fraud and corruption and eLearning have been reviewed and updated (awaiting upload of revisions). The fraud number appears on the Internal Audit	Complete

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	public website 4. Counter-Fraud Awareness: <ul style="list-style-type: none"> <li>Review and monitor completion of Combating Fraud &amp; Corruption eLearning course.</li> </ul>	November 2011	webpage and a webpage in relation to NFI has also been created.  Completion of eLearning to be reviewed by Internal Audit, feedback to be provided to CGWG.	Planned: March 2012
Deterring fraud	5. Liaison with Communications Team: <ul style="list-style-type: none"> <li>Discuss publicity requirements on all OCC cases and initiatives as the need arises.</li> </ul>	ongoing	Currently assessed on a case by case basis. Responsibilities covered in Anti-Fraud & Corruption Strategy.	On-going
Preventing fraud	6. Counter-Fraud Policy: <ul style="list-style-type: none"> <li>Review Anti Fraud and Corruption Strategy.</li> <li>Include Fraud Response Plan in Counter-Fraud Manual.</li> </ul>	May 2011  May 2011	Review completed. Policy and strategy now combined and published on intranet / internet.  Fraud Response Plan included in revised Anti Fraud & Corruption Strategy.  Fraud response plan to be included in the Counter-Fraud Manual.	Complete  Complete  Planned: March 2012
Detecting Fraud	7. Audit Commission National Fraud Initiative (NFI) 2010/11: <ul style="list-style-type: none"> <li>Co-ordinate responses to data matches</li> <li>Monitor outcomes and confirm that issues are being reviewed and</li> </ul>	March 2012 (ongoing)  March 2012	Liaison with key contacts underway, key contacts are in the process of reviewing and responding to reports / matches  Sample testing of responses will be assessed	On-going  Planned: March 2012

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	resolved appropriately.			
	8. Produce a fraud risk assessment to inform areas for pro-active testing	August 2011	Risk assessment in the process of being drafted.	Planned: March 2012
	9. Undertake proactive anti-fraud testing to provide assurance on effectiveness of fraud controls.	March 2012	Two proactive audit reviews underway. Other potential areas for proactive testing to be identified and assessed on a quarterly basis, using fraud risk assessment detailed in 8 above.  Key Financial Systems testing will focus on key fraud risks.	Planned: March 2012  On-going
Investigating fraud	10. Create Internal Audit Counter-Fraud Manual.	September 2011	Investigations currently carried out in line with best practice and fraud protocol. Manual in process of being produced.	Planned: March 2012
Seeking to apply sanctions where fraud is proven	11. Maintain a close working relationship with Human Resources / Legal re: civil, disciplinary and criminal.	Each case	Ongoing working relationship with key council departments has been established. Covered in the revised Anti-Fraud and Corruption Strategy. To be formally documented in Internal Audit Counter-Fraud Manual.	Planned: March 2012
Supplying information so that redress may be sought	12. Take appropriate action to secure redress: <ul style="list-style-type: none"> <li>Identify losses to the Council and seek to ensure that funds and assets remain within the Council.</li> <li>In all cases where losses are identified seek to recover funds where possible.</li> </ul>	Each case  Each case	Covered in the revised Anti-Fraud and Corruption Strategy.  Covered in the revised Anti-Fraud and Corruption Strategy.	Complete  Complete



Division(s): N/A

## **AUDIT COMMITTEE – 18 January 2012**

### **REVIEW OF THE PROCESS FOR REPORTING ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

**Report by Assistant Chief Executive & Chief Finance Officer**

#### **Introduction**

1. In accordance with the Accounts and Audit Regulations 2011, the Council is required to review the effectiveness of its system of internal audit once a year, and for the findings of the review to be considered by a committee of the Council, or by the Council as a whole, as part of the consideration of the system of internal control.
2. The purpose of this report is for the Audit Committee to review the existing process, consider whether any changes should be made to the review process and to confirm the reporting arrangements for 2011/12.

#### **Process for 2011/12**

3. The existing process for reviewing the effectiveness of the System of Internal Audit is as follows:

##### **Sources of evidence**

- The Audit Committee receives for approval the annual Internal Audit Strategy and Plan. The Committee can ensure that the plan has been properly compiled to provide a reasonable assurance from the Chief Internal Auditor on the system of internal control. (April)
- The Audit Committee agrees the performance indicators and targets for Internal Audit. The set of performance indicators used includes both output measures, (e.g. % of the plan completed) and outcome measures, (e.g. % of management actions implemented) that enable the Audit Working Group and the Audit Committee to measure and evaluate the effectiveness of Internal Audit.(April)
- The Audit Committee receives the annual report from the Chief Internal Auditor including his opinion on the adequacy and effectiveness of the system of internal control.(June)
- The Audit Committee receives a quarterly progress report from the Chief Internal Auditor, detailing the status of planned audits, summary of completed audit, and performance against the agreed targets. (Quarterly)
- The Audit Working Group every meeting receives a report from the Chief Internal Auditor, on the implementation of agreed management actions, and any emerging issues arising from the Internal Audit work. (Every meeting)

- The Chief Internal Auditor completes an annual review of compliance against the CIPFA Code of Practice for Internal Audit, presenting evidence to the Monitoring Officer for independent scrutiny. The results are reported to the Audit Working Group (April).
- Annual review by External Audit of Internal Audit reports and files as part of the managed audit arrangement to support their annual audit of the Statement of Accounts. The External Auditors, state whether they can place reliance on the work of Internal Audit in their presentation on their audit of the Accounts, and in their annual report.(September and December)
- Annual Survey, managed by the Monitoring Officer, to canvas the opinions of Senior Management on the Internal Audit Service. The Senior Managers will be the Extended County Council Management Team at the discretion of the Monitoring Officer. (March)

### **Reporting**

- In April the Monitoring Officer collates the evidence, and presents a draft report for the consideration of the Corporate Governance Assurance Group, and the Audit Working Group, before submitting it to the Audit Committee for approval. (April)
4. A revised annual survey questionnaire is attached as appendix 1 to this report.

### **RECOMMENDATIONS**

5. **The Committee is RECOMMENDED to:**
- (a) **approve the process for reviewing the effectiveness of the System of Internal Audit;**
  - (b) **approve the circulation list, content and format of the Annual Survey Questionnaire;**
  - (c) **authorise the Monitoring Officer to undertake the review and report back to the Audit Committee.**

SUE SCANE  
Assistant Chief Executive & Chief Finance Officer

Background Papers: The Accounts and Audit (England) Regulations 2011.  
CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

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January 2012

Annual Survey - Review of the effectiveness of Internal Audit

To.....

Question	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree
I have been given adequate information on the role and purpose of Internal Audit				
I am consulted by Internal Audit on the key risks and critical systems in my area				
I am satisfied that Internal Audit is independent				
I am given an opportunity to comment on Internal Audit's work plans				
I can discuss the relevance of the planned audit activity throughout the year, and I have the opportunity to request others areas to be looked at where assurance is required.				
On individual audit assignments, where appropriate, I have an opportunity to provide input to the planning of Internal Audit work				
Internal Audit reports are timely, practical and support managers in the management their key risks				
Internal Audit is effective in delivering improvements to the control environment				
<p><b>Please list up to three things you would like Internal Audit to.....</b></p> <p><b>START Doing:</b></p> <p>1.</p> <p>2.</p> <p>3.</p> <p><b>STOP Doing</b></p> <p>1.</p> <p>2.</p> <p>3.</p> <p><b>CONTINUE Doing</b></p> <p>1.</p> <p>2.</p> <p>3.</p>				
<p><b>Other Comments:</b></p>				

Date.....

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**CABINET-17 JANUARY 2012****Service & Resource Planning 2012/13 – 2016/17****Treasury Management Strategy Statement and Annual Investment Strategy for 2012/2013****Introduction**

1. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
2. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). The Annual Investment Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
3. The proposed strategy for 2012/13 in respect of the following aspects of the treasury management function is based upon the views of the Council's Treasury Management Strategy Team (TMST)<sup>1</sup>, informed by market forecasts provided by the Council's treasury advisor, Arlingclose Limited. The strategy covers:
  - Treasury limits in force which limit the treasury risk and activities of the Council;
  - Prudential Indicators;
  - the current treasury position;
  - prospects for interest rates;
  - the borrowing strategy;
  - the borrowing requirement and
  - the investment strategy;
4. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The code was adopted by Council on 1 April 2003. All treasury activity will comply with relevant statute, guidance and accounting standards.

**Treasury Limits for 2012/13 to 2014/15**

5. It is a statutory duty for the Council to determine and keep under review the amount it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'. The Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

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<sup>1</sup>Comprising the Assistant Chief Executive & Chief Finance Officer, Head of Corporate Finance, Principal Financial Manager – Treasury & Pension Fund Investments, and Financial Manager – Treasury Management.

6. The Council must have regard to the Prudential Code when setting the 'Authorised Borrowing Limit'. The Authorised Limit essentially requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax levels is 'acceptable'.
7. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

### **Prudential Indicators for 2012/13 to 2014/15**

8. The Prudential Indicators set out below are part of the integrated treasury management strategy.
9. The local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
10. The authority had no difficulty meeting this requirement in 2011/12, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.
11. It is recommended that Cabinet recommends Council to approve the prudential indicators for the next three financial years.

PRUDENTIAL INDICATOR	2011/12	2012/13	2013/14	2014/15
<b>(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>probable outturn</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
<b>Operational Boundary for external debt -</b>				
Borrowing	468,000	466,000	458,000	446,000
other long term liabilities	40,000	40,000	40,000	40,000
<b>TOTAL</b>	<b>508,000</b>	<b>506,000</b>	<b>498,000</b>	<b>486,000</b>
<b>Authorised Limit for external debt -</b>				
Borrowing	478,000	476,000	468,000	456,000
other long term liabilities	40,000	40,000	40,000	40,000
<b>TOTAL</b>	<b>518,000</b>	<b>516,000</b>	<b>508,000</b>	<b>496,000</b>
<b>Gross and Net debt</b>				
Upper Limit of net debt expressed as:				
Net Debt / Gross Debt	70%	70%	70%	70%
<b>Upper limit for fixed interest rate exposure expressed as:</b>				
Net principal re fixed rate borrowing / investments	150%	150%	150%	150%
<b>Upper limit for variable rate exposure expressed as:</b>				
Net principal re variable rate borrowing / investments	25%	25%	25%	25%
<b>Upper limit for total principal sums invested for over 364 days</b>	<b>£100m</b>	<b>£100m</b>	<b>£100m</b>	<b>£100m</b>

<b>Maturity structure of fixed rate borrowing during 2011/12</b>	<b>Lower Limit %</b>	<b>Upper Limit %</b>
Under 12 months	0	20
12 months and within 24 months	0	25
24 months and within 5 years	0	35
5 years and within 10 years	5	40
10 years and above	50	95

<b>Total External Debt as at 31.03.11</b>	<b>£'000</b>
External Borrowing	434,414
Financing Liability	29,929
<b>Total</b>	<b>464,339</b>

## Forecast Treasury Portfolio Position

12. The Council's treasury forecast portfolio position for the 2012/13 financial year comprises:

	<b>Principal £m</b>	<b>Average Rate %</b>
<b>Opening External Debt Balance</b>		
PWLB	370.728	4.62%
Money Market Loans	50.000	3.94%
<b>TOTAL EXTERNAL DEBT</b>	420.728	
<b>2012/13 Average Cash Balance</b>		
Average Monthly Cash Balance	224.37	
Average Monthly Externally Managed	24.70	
<b>TOTAL INVESTMENTS</b>	249.07	

## Prospects for Interest Rates

### *Current Medium Term Financial Plan*

13. The strategy for 2011/12 approved by Council in February 2011 set out forecast interest rates over the medium term. The forecast was for an average base rate of

0.75% in 2011/12  
 1.75% in 2012/13,  
 2.50% in 2013/14,  
 2.75% in 2014/15,  
 2.75% in 2015/16.

These interest rates were used as a basis for constructing the strategic measures budget for 2011/12 to 2015/16.

### *Arlingclose's View*

14. The Council uses the services of Arlingclose Limited to provide investment advice to the Council, as part of this service they help the Council to formulate a view on interest rates.
15. Arlingclose's current view on interest rates is that the Bank Rate will remain at 0.5% for the duration of their medium term forecast to December 2014 with the possibility that the official bank of England base rate may not rise until 2016.

16. The forecast variation to this view has been estimated at 0.75% in March 2013 rising to 1.0% in June 2013 and remaining at that rate for the remainder of the forecast to December 2014. This is the forecast that is expected to apply if the Bank of England's Monetary Policy Committee begin to raise the base rate before December 2014.
17. Arlingclose expect the 1 year LIBID rate to rise from 1.75% to 2.40% over the same period, indicating that short-term borrowing will become more expensive.

*Treasury Management Strategy Team's View*

18. The Council's TMST, taking into account the advice from Arlingclose, and the current economic outlook, have determined the rates to be included in the Strategic Measures budget for 2012/13 and over the medium term. The Bank Rate forecasts set out below represent the average rate for the financial year:

- 2012/13            0.50%
- 2013/14            0.50%
- 2014/15            0.50%
- 2015/16            0.50%
- 2016/17            1.00%

19. It is the view of the team that as rates achieved on deposits in the past have been over and above that of the Bank Rate that a return rate should also be budgeted for. The team has agreed that the target return rate should be 0.50% higher than the average Bank Rate for each year over the medium term. The rate this gives is set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2012/13            1.00%
- 2013/14            1.00%
- 2014/15            1.00%
- 2015/16            1.00%
- 2016/17            1.50%

**Borrowing Strategy**

*Arlingclose's View*

20. For the Public Works Loan Board (PWLB) new borrowing rates, Arlingclose have forecast as follows:
  - The 50 year gilt yield is expected to start the financial year at 3.40%, increasing gradually to 4.25% by December 2014.
  - The 20 year gilt yield is expected to start the financial year at 3.05% rising steadily to 3.75% by the end of the forecast in December 2014.
  - The 10 year gilt yield is expected to start the financial year at 2.30%, gradually rising to 3.00% by December 2014.

- The 5 year gilt yield is expected to start the financial year at 1.30% with gradual quarterly increases forecast to reach 2.50% in December 2014.
21. Arlingclose's forecasts have an upside variation range of between 25 and 50 basis points, and a downside variation range of between 25 and 50 basis points depending on the economic and political climate.
  22. This forecast indicates, therefore, that there is a range of options available when setting a borrowing strategy for 2012/13. Short dated gilt yields are forecast to be lower than medium and long dated gilt yields during the 2012/13 financial year with medium term gilt rates slightly lower than longer term gilt rates.
  23. Arlingclose's view is that momentum in economic growth is scarce. Conventional monetary policy has become largely redundant; the Bank of England and the US Federal Reserve have signaled their respective official interest rates will be on hold through to the end of 2012. Arlingclose believe that it could be 2016 before official interest rates rise.
  24. The Bank of England's Monetary Policy Committee has returned to unconventional monetary policy and embarked on a further round of Quantitative Easing. Arlingclose expect that there will be more to come.

#### *Treasury Management Strategy Team's View*

25. 2012/13 is expected to be a time of continued low Bank Rate. Therefore the "cost of carry" associated with the long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short term costs. Financing the Council's borrowing requirement internally would reduce the "cost of carry" in the short term, however this must be weighed against the possibility of refinancing any short term internal borrowing at a time when PWLB rates exceed those currently available.
26. The Council's TMST therefore have agreed that they should continue to have the option to fund new or replacement borrowing up to the value of 25% of the portfolio (currently approximately £50m) through internal borrowing. This will have the effect of reducing some of the "cost of carry" of funding.
27. If market conditions change during the 2012/13 financial year such that the policy to borrow internally is no longer in the interests of the council, the TMST will review the borrowing strategy and report any changes to Cabinet.
28. The team's forecast for PWLB rates over the medium term are 4.5% p.a. for 2012/13 – 2016/17. These rates do not impact on the strategic measures budget because it is anticipated that no additional external borrowing will be arranged in 2012/13.
29. From 1 April 2011, the Government have replaced the 'credit approval' system and provided capital resources as grant rather than borrowing consent. As a

result of this change there are no plans to borrow externally. Internal borrowing will be used to finance prudential schemes.

**LOBOs (Lender’s option/Borrower’s option)**

- 30. The Council has set a maximum limit of 20% of the debt portfolio to be borrowed in the form of LOBOs. It is recommended that this remain as the limit for 2012/13. As at 30 November 2011, LOBOs represent 13.44% of the total external debt.
- 31. The Council has four £5m LOBO’s with call options in 2012/13. The first has call options in April 2012 and October 2012, the second has call options in July 2012 and January 2013 and the remaining two have call options in October 2012 only. If the lender chooses to increase the current rate of interest payable, the Council will evaluate alternative financing options before deciding whether or not to accept the new rate offered. It is likely that the debt will be repaid.
- 32. Henley College is designated a sixth form college. The Council will have regard to, and where appropriate give consent to the College to arrange borrowing for its own purposes.

**Annual Investment Strategy**

- 33. The Council has regard to the Office of the Deputy Prime Minister’s Guidance on Local Government Investments (“the Guidance”) issued in March 2004 and CIPFA’s Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). It also has regard to the subsequent Communities and Local Government update to the Investment Guidance, Capital Finance Regulations and Minimum Revenue Provision Guidance issued in April 2010. The Council’s investment priorities are:-
  - (a) The security of capital and
  - (b) The liquidity of its investments
- 34. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.
- 35. Investment instruments identified for use in the 2012/13 financial year are listed below under the ‘Specified’ and ‘Non-Specified’ Investment categories. Guidance states that specified investments are those requiring “minimal procedural formalities”. The placing of cash on deposit with banks and building societies ‘awarded high credit ratings by a credit rating agency’, the use of AAA rated Money Market Funds (MMFs) and investments with the UK Government and local authorities qualify as falling under this phrase as they form a normal part of day to day treasury management.
- 36. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and whilst MMFs provide good diversification the council will

also seek to diversify any exposure by using more than one MMF where practical. It should be noted that while exposure will be limited, the use of MMFs does give the council exposure to institutions that may not be included on the approved lending list for direct deposits. This is deemed to be an acceptable risk due to the benefits of diversification.

37. Non specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this applies regardless of whether they are under one year investments and have high credit ratings.
38. The updated CIPFA Code of Practice on Treasury Management (2009) recommends that Council's have regard to the ratings issued by the three major credit rating agencies (Fitch, Moodys and Standard & Poors) and to use the lowest common denominator approach when determining which credit ratings to apply.
39. Whilst the Council will have regard to the ratings provided by these three ratings agencies, it is the opinion of the TMST that using the lowest common denominator approach is too prescriptive and overly mechanical and may engender an over reliance on credit ratings alone.
40. The Council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and derive its counterparty limits. The TMST may further limit these by using other available information such as Credit Default Swap Rates, Share prices, Ratings Watch & Outlook notices and other quality Financial Media sources. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 51 and 52 respectively.
41. Notification of any rating changes (or ratings watch and outlook notifications) by Fitch are monitored daily by a member of the Treasury Management Team. Rating changes by other credit rating agencies are reported to the TMST by Arlingclose.
42. Where a change in credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 51 and 52, that counterparty will be immediately removed from the lending list.
43. Where a counterparty has been placed on Negative Watch or Outlook by a credit rating agency, the counterparty's status on the approved lending list will be reviewed by the TMST and appropriate action taken.
44. In addition, the TMST apply further limits, to mitigate risk by diversification. These include:
  - Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.



- Limiting the amount lent to any bank, or banks within the same group structure to 15% of the investment portfolio.
45. Where the Council has deposits on instant access, this balance will not be considered when limiting the amount lent to any bank or group of banks to 15%, however the limits as set out in paragraphs 51 and 52 will still apply.
46. Counterparty limits as set out in paragraphs 51 and 52, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts and money market funds. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.
47. Any changes to the approved lending list will continue to be reported to Cabinet as part of the monthly Financial Monitoring Report

*Specified Investments*

48. All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the ‘high’ credit rating criteria where applicable.

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house
Term Deposits – Banks and Building Societies	Fitch short-term F1, Long-term A, Individual rating C with support rating 2 or individual rating B with support rating 3, Minimum Sovereign Rating AA	In-house and Fund Managers
Term Deposits with Nationalised Banks with Government Guarantee for wholesale deposits	N/A	In-house
Term Deposits with Part Nationalised banks by the UK Government	N/A	In-house

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds with a Constant Net Asset Value	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes <sup>2</sup>	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	AAA	In-house on a buy and hold basis and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers

### *Non-Specified Investments*

49. A maximum of 50% of the portfolio will be held in non-specified investments.

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total Investments</b>	<b>Max Maturity Period</b>
Debt Management Agency Deposit Facility (maturities in excess of 1 year) <sup>3</sup>	N/A	In-house and Fund Managers	50%	3 years
Term Deposits – UK Government (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years

<sup>2</sup> I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

<sup>3</sup> Debt Management Agency Deposit Facility currently limit deposits to 6 months. The ability to deposit in excess of 1 year is retained if such deposits become available.

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total Investments</b>	<b>Max Maturity Period</b>
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Fitch short-term F1+, Long-term AA-, Individual rating B, with support rating 2	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (eg. Callable deposits, range accruals, snowballs, escalators etc)	Fitch short-term F1+, Long-term AA-, Individual rating B, with support rating 2 or Individual rating B/C with support rating 1	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
UK Government Gilts with maturities in excess of 1 year	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral development banks	AAA	In-house on a buy and hold basis and Fund Managers	50% in-house; 100% External Fund	5 years in-house, 10 years fund managers
Bonds issued by a financial institution which is guaranteed by the UK Government	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Fund	5 years in-house, 10 years fund managers
Supranationals	N/A	In-house. Fund Managers	50% in-house; 100% of External Fund	5 years in-house, 30 years fund managers

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total Investments</b>	<b>Max Maturity Period</b>
Money Market Funds and Collective Investment Schemes <sup>4</sup> but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 year in-house, 30 years fund managers

The maximum limits for in-house investments apply at the time of arrangement.

### *Counterparty Limits*

50. The Council also manages its credit risk by setting counterparty limits. The forecast average cash balance is predicted to *increase* in 2012/13 and reduce again in 2013/14 due to capital finance cashflow. It is proposed that there should be no change to counterparty limits. The matrix below sets out the proposed limits for 2012/13. The TMST may further restrict lending limits dependent upon prevailing market conditions.

<b>Short Term Rating F1+, Long Term Rating AAA, AA+, AA, AA-</b>				
	<b>Support</b>			
<b>Individual</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>A</b>	£25m	£25m	£20m	
<b>A/B</b>	£25m	£20m	£10m	
<b>B</b>	£20m	£20m	£10m	
<b>B/C</b>	£15m	£15m		
<b>C</b>	£10m	£10m		

<b>Minimum Short Term Rating F1, Long Term Rating A+, A</b>				
	<b>Support</b>			
<b>Individual</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>A</b>	£15m	£15m	£10m	
<b>A/B</b>	£15m	£15m	£5m	
<b>B</b>	£15m	£15m	£5m	
<b>B/C</b>	£10m	£10m		
<b>C</b>	£5m	£5m		

### *Maturity Limits*

<sup>4</sup> Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

51. The Council also manages its counterparty risk by setting maturity limits on deposits, restricting longer term lending to the very highest rated counterparties. The table below sets out the maximum approved limits. The TMST may further restrict lending criteria in response to changing market conditions.

<b>Short Term Rating F1+, Long Term Rating AAA, AA+, AA, AA-</b>				
	<b>Support</b>			
<b>Individual</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>A</b>	3 years	3 years	6 mths	
<b>A/B</b>	3 years	3 years	3 mths	
<b>B</b>	3 years	3 years	3 mths	
<b>B/C</b>	364 days	6 mths		
<b>C</b>	6 mths	3 mths		

<b>Minimum Short Term Rating F1, Long Term Rating A+, A</b>				
	<b>Support</b>			
<b>Individual</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>A</b>	6 mths	6 mths	3 mths	
<b>A/B</b>	6 mths	6 mths	3 mths	
<b>B</b>	6 mths	6 mths	3 mths	
<b>B/C</b>	3 mths	3 mths		
<b>C</b>	3 mths	3 mths		

*Other institutions included on the councils lending list*

52. In addition to highly credit rated banks and building societies the authority may also place deposits with:-
- AAA rated Money Market funds,
  - Collective Investment Schemes
  - Local authorities.
53. Given the ongoing turmoil in the banking sector it is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy continues to be delegated to the Chief Finance Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

**Structured Products**

54. As at 30 November 2011, the Council had £20m of structured products within its investment portfolio. Structured products involve varying degrees of additional risk over fixed rate deposits, with the potential for higher returns. It is recommended that the authority continue to use structured products up to a maximum of 10% of the investment portfolio. The Council will continue to monitor structured products and consider restructuring opportunities as appropriate.

## External Fund Managers

55. The Council currently has £24.4m invested with external fund managers (as at 30 November 2011). £12.2m with Scottish Widows Investment Partnership (SWIP) and £12.2m with Investec. The aim of the funds is to diversify the investment portfolio and outperform the Council's in-house investment performance over a rolling three year period.
56. The performance of the external funds is monitored by the TMST throughout the year. The benchmark for SWIP and Investec is the 7 day LIBID (London Interbank BID rate) compounded weekly. SWIPs target return is 128% of the benchmark over a 3 year rolling period. Investec are targeted to return 7 day LIBID + 1.02% net of fees over a 3 year rolling period. The Council will continue to monitor the performance of the externally managed funds against both their benchmarks and the in-house investment returns.
57. On December 1 2010 the mandate with Investec was switched to one where predefined proportions are invested in 3 different types of investment fund, known as the Dynamic approach. The weighting in each fund is as follows:

<b>Fund Name</b>	<b>Weighting</b>
Liquidity Fund	5%
Short Dated Bond Fund	65%
Target Return Fund	30%

58. The investment objectives of each fund are as follows:
- Liquidity Fund – to achieve a superior return to that of cash deposits while maintaining capital and preserving liquidity
  - Short Dated Bond Fund – to provide capital stability and income through investment in short term fixed income and variable rate securities listed or traded on one or more Recognised Exchanges
  - Target Return Fund – to produce a positive return over the longer term regardless of market conditions by investing primarily in interest bearing assets and related derivatives
59. The Liquidity and Short Dated Bond Funds are AAA rated funds with varying degrees of liquidity. The target return fund is an unrated fund and is deemed to be of higher risk. The weighting of the funds under the Dynamic approach is designed to benefit from the upside risk of the Target Return fund whilst dampening volatile returns with the more stable Liquidity and Short Dated Funds.
60. The performance of the Investec fund has been undermined by its exposure to more volatile elements of the investment market. However, it is expected that in the long run the structure of the fund will produce improved returns.

61. The SWIP mandate includes an allocation to gilts, which was intended to diversify the council's investment portfolio. However, due to the low returns available from short dated gilts over recent years, the fund has been invested in Money Market Funds rather than a segregated portfolio. Whilst the returns achieved in the last 12 months have been above benchmark, they have been achieved through investments in instruments which are not comparable with the benchmark and do not offer diversification above that which could be achieved through direct in-house investment in the Money Market funds.
62. The TMST will keep external fund investments under review and consider alternative instruments and fund structures, to manage overall portfolio risk. It is recommended that authority to withdraw or advance additional funds to/from external fund managers continue to be delegated to the TMST.

### **Investment Strategy**

63. The weighted average maturity (WAM) of in-house deposits as at 30 November 2011 was 202.7 days. This is made up of £43.3m of instant access balances with a maturity of 1 day, and £219.9m of deposits with a WAM of 242.3 days.
64. With the prospect of interest rates remaining lower for longer, and to protect against the downside risk of the timing of base rate changes, the TMST will aim to maintain the WAM of deposits by lending longer term to local authorities and maintaining a relatively high instant access balance, diversified using MMFs. The benefit of maintaining a longer WAM is that it will give a greater degree of certainty, and dampen the volatility, of investment returns.
65. During 2011/12 the Treasury Management team continued a rolling programme of 6 month deposits with a selection of counterparties deemed to be of higher credit quality in order to pick up in yield for 6 months deposits whilst maintaining a relatively low WAM. However, the ability to continue this strategy has been limited by a reduction in the number of counterparties deemed to be of sufficiently high quality for longer-term deposits.
66. The Council has had the facility to invest directly in UK Government Gilts, T-bills, Certificates of Deposits and other Sovereign Bonds since early 2010. The Council will continue to keep this facility in place and may invest in such products if market conditions are favourable, or if alternative options are limited. If availability of acceptable credit worthy institutions is reduced, the council may use the Debt Management Office Deposit Facility and will continue to prioritise security and liquidity of assets over investment returns.

### **Performance Monitoring**

67. The Council will monitor its Treasury Management performance against other authorities, through its membership of the CIPFA Treasury Management benchmarking club. Latest performance figures will be reported in the Annual Review Report which will be considered by Cabinet in June 2012.

68. The Council will benchmark its internal return against 3 month LIBID.

### **Investment Training**

69. All members of the Treasury Management Strategy team are members of a professional accounting body. In addition, key Treasury Management officers receive in-house and externally provided training as deemed appropriate. Key Treasury Management officers will be encouraged to study towards the replacement course for the discontinued CIPFA and ACT<sup>5</sup> joint Certificate on International Treasury Management – Public Finance when it becomes available.

### **Recommendations**

70. The recommendations arising from the updated strategy are set out in the main body of the report.

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<sup>5</sup> Association of Corporate Treasurers



## AUDIT COMMITTEE – 18 JANUARY 2012

### WORK PROGRAMME 2011/12

#### 2012

##### *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)

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

##### ***Standing Items:***

- Audit Working Group report  
(Ian Dyson)
- 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):
  - draft scrutiny annual report (18 April 2012)
  - scrutiny work programme  
(Alexandra Bailey)
- Treasury Management:
  - Strategy Report in January
  - Outturn Report in July
  - Mid Term Review in November

Background Papers            Nil

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January 2012

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