



To: Members of the Audit & Governance Committee

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

**Wednesday, 26 February 2014 at 2.00 pm**

**County Hall, Oxford, OX1 1ND**

*Peter G. Clark.*

Peter G. Clark  
County Solicitor

February 2014

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**Membership**

Chairman – Councillor David Wilmshurst  
Deputy Chairman - Councillor Charles Mathew

**Councillors**

Janet Godden  
Sandy Lovatt  
Susanna Pressel

Roz Smith  
Lawrie Stratford  
David Bartholomew

Nick Hards\*

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\* Substituting for Councillor Surinder Dhesi

Co-optee: Dr Geoff Jones

**Notes:**

- **Date of next meeting: 23 April 2014**

## Declarations of Interest

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

Under the Localism Act 2011 it is a criminal offence to

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

### Whose Interests must be included?

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

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

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

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

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

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

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

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

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

### List of Disclosable Pecuniary Interests:

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

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Rachel Dunn on (01865) 815279 or [Rachel.dunn@oxfordshire.gov.uk](mailto:Rachel.dunn@oxfordshire.gov.uk) for a hard copy of the document.

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

# AGENDA

## 1. Apologies for Absence and Temporary Appointments

## 2. Declaration of Interests - see guidance note

## 3. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 15 January 2014 (**AG3**) and to receive information arising from them.

## 4. Petitions and Public Address

## 5. Audit & Governance Committee Annual Report to Council (Pages 7 - 20)

**2.10pm**

This report is a draft of the Annual Report of the Committee 2013 (**AG5**), to be presented to The Council, by the Chairman on 1 April 2014.

***The Audit & Governance Committee are RECOMMENDED to consider the Draft Annual Report and suggest any additions or amendments.***

## 6. Revised CIPFA Guidance for Audit Committees

**2.30pm**

Ian Dyson, the Chief Internal Auditor, will provide an oral overview of the latest guidance, including the recommended practice for self- assessment against the standards and the skills matrix. The full guidance will be available to Members of the Committee in their protected area on the Council's Intranet.

***The Committee is RECOMMENDED to agree a process for undertaking an assessment of compliance with the guidance.***

## 7. Progress Report & Grants Claim Report (Pages 21 - 44)

**2.40pm**

Report by Ernst & Young

**8. Election Fees & Charges (Pages 45 - 52)**

**3.00pm**

Report by Rachel Dunn, Senior Democracy Officer (**AG8**).

*The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2014/2015 for the election of County Councillors and any other local referendums.*

**9. Audit Working Group Reports (Pages 53 - 58)**

**3.10pm**

Report by Ian Dyson, Chief Internal Auditor (**AG9**).

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

**10. Audit & Governance Committee - draft work Programme 2014/15  
(Pages 59 - 60)**

**3.30pm**

**CLOSE OF MEETING**

**3.40pm**

*An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.*

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Thursday, 20<sup>th</sup> February 2014** at **2.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 15 January 2014 commencing at 2.00 pm and finishing at 4.00 pm.

**Present:**

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

Councillor Charles Mathew (Deputy Chairman)  
Councillor Surinder Dhesi  
Councillor Janet Godden  
Councillor Sandy Lovatt  
Councillor Stewart Lilly  
Councillor Susanna Pressel  
Councillor Roz Smith  
Dr Geoff Jones

**Non-voting Member:** Dr Geoff Jones

**By Invitation:** Maria Grindley and Alan Witty (Ernst & Young).

**Officers:**

Whole of meeting Peter Clark, County Solicitor & Monitoring Officer, Ian Dyson, Chief Internal Auditor; Lorna Baxter, Chief finance Officer; D miller and A Newman (Law & Culture).

Part of meeting

**Agenda Item                      Officer Attending**

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with 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.*

**1/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

The following apologies and temporary appointments were received:

Councillor Stewart Lilly substituted on behalf of Councillor Caroline Newton and Councillor Lawrie Stratford sent his apologies.

**2/14 MINUTES**  
(Agenda No. 3)

The Minutes of the meeting held 20 November 2014 were approved and signed, subject to the following amendments:

Minute 51/13 – add the following text to the resolution “ and welcome the new Audit Manager, Mr Alan Witty to the Committee;

Minute 53/13 -1<sup>st</sup> paragraph, fifth line, substitute the text ‘it’s’ with ‘its’.

**3/14 TREASURY MANAGEMENT STRATEGY 2014/15**  
(Agenda No. 5)

The Committee considered the report to the Cabinet on 28 January 2014 (AG5) by the Chief finance Officer on the Treasury Management Strategy and the Annual Management Strategy for 2014/15.

Mr Ley introduced the report and responded to members’ questions and comments. The report complied with the technical requirement of the CIPFA Treasury Management Code of Practice. He reported that the Council was required to approve Prudential Indicators for 2014/15, 2015/16 and 2016/17 and that draft Prudential Indicators were set out at Annex 1. These were currently incomplete as they were dependent on updates to the Capital Programme but would be included in the Treasury Management Strategy Statement as an annex to the Service and Resource Planning Report to be approved by Council on 18 February 2014.

The strategy for financing prudential borrowing during 2014/15 was to use temporary internal balances. External debt would continue to be repaid upon maturity and would not be refinanced unless the economic outlook or the capital programme spend forecasts change.

The Annual Investment Strategy for 2014/15 was based on an average base rate of 0.50% and assumed an average return of 0.80%, 0.30% above base rate. The average cash balance for 2014/15 was forecast to be £300m, including externally managed funds. The list of proposed specified and non-specified investment instruments were set out in full in Appendices C and D respectively. The maximum maturity and duration limits for counterparties were currently determined by matrices based on Fitch credit ratings. The matrices proposed for 2014/15 and the full rationale for determining the credit worthiness of existing and potential counterparties was set out in paragraphs 7.10 to 7.23 to the report.

The Council also intended to continue to place funds in pooled funds with the external fund managers. Further details were given in section 8 to the report.

The Council would continue to prioritise the security and liquidity of capital. The Council would aim to achieve investment returns that were commensurate with these priorities. To achieve this, the Treasury Management Strategy Team (TMST) would aim to maintain a balanced portfolio between longer term deposits with high credit quality counterparties and investments in liquid instruments and shorter term deposits with Money Market Funds (MMFs), high credit quality banks and local authorities.

He further reported that the Council would continue to benchmark the performance of the Treasury Management function through membership of the CIPFA benchmarking club and the benchmarking undertaken by the Council's Treasury advisor Arlingclose. In-house performance would also continue to be benchmarked against 3 month London Interbank Bid Rate (LIBID).

The Committee sought some explanation of the financial language contained within the report. In response, officers undertook to provide members of the Committee with some explanation of the financial terminology contained within the report.

**RESOLVED:**

The Committee AGREED to forward the report to the Cabinet, noting that the Prudential Indicators for 2014/15 were not available in time for the Audit & Governance Committee to comment.

**4/14 INTERNAL AUDIT PLAN - 2013/14 (PROGRESS REPORT AND QUARTER 4 PLAN)**

(Agenda No. 6)

The Committee had before them the Internal Audit Progress report, together with the Plan for quarter 4 2013/14 (AG6) for approval.

Mr Dyson introduced the 2013/14 update against Quarter 4 Internal Audit Plan which was summarised in Annex 1 to the report. He also reported on the appointment of a new Senior Auditor, Tessa Clayton who commenced employment at the end of November 2013 and that due to unplanned pressure on internal audit resources had suspended their proactive counter-fraud reviews and the Health & Safety Governance Audit until next year to allow for previously outsourced audits scheduled for Quarter 4 to come back in-house.

The Committee were pleased to note that the issue of theft from one of the Council's establishments had been dealt with and the money returned and that processes around cash handling had been reviewed and changed to ensure that this did not occur again.

In response to a request from a member of the Committee, Mr Dyson undertook to investigate how the Stewardship Fund was being operated.

**RESOLVED:** to note the report and approve the Quarter 4 Plan.

**5/14 REVIEW OF THE CORPORATE GOVERNANCE FRAMEWORK**

(Agenda No. 7)

The Committee had before them a report (AG7) which set out progress on improving the Council's governance arrangements and sought approval to the Corporate Governance Assurance Framework.

Mr Clark introduced the report and responded to members' questions and comments. In relation to the Annual Governance Statement, he reported that in the main, good progress had been made against the targets set out in Annex 1 to the report, although two areas remained of concern around data security and data quality.

The Corporate Governance Working Group would be focusing on data security at its next meeting and work continued around improving Data Quality.

In relation to Annex 2, Dr Geoff Jones reported that in relation to paragraph 7.7.2 of Annex 2, the Chairman of the Audit Group no longer provided an independent assessment of the effectiveness of the assurance process.

**RESOLVED:** to approve the Corporate Governance Assurance Framework, subject to a box showing the 'Scrutiny Committee Function' being added to the flowchart at Annex 2 to the report and the removal of paragraph 7.7.2 from Annex 2 of the report.

#### **6/14 NEW GUIDANCE ON MEMBERS INTERESTS**

(Agenda No. 8)

The Committee had before them a report (AG8) which set out the Monitoring Officer Group's findings in relation to the Department of Communities and Local Government non-statutory guidance on members' "personal interests".

Mr Clark in introducing the report, reminded members that it was important to note that the absence of a requirement within the Oxfordshire Code to declare non-pecuniary interests did not mean that Members were precluded from registering and declaring such interests.

**RESOLVED** (by 7 votes to 0, with 1 Abstention) in light of the Monitoring Officer Group's review, to make no changes to the current Oxfordshire Members' Code of Conduct at this time.

Agreed by 7 votes to 0, with 1 Abstention.

#### **7/14 REVIEW OF THE PROCESS FOR REPORTING ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

(Agenda No. 9)

The Committee had before them an update regarding the review of the process for reporting on the effectiveness of the system of internal audit, including a survey of the extended CCMT to be undertaken by the Monitoring Officer, a self assessment by the Chief Internal Auditor, followed by a presentation of his findings for review by the Monitoring Officer. The Monitoring officer will present his findings to the April Meeting.

The Committee noted the update.



**8/14 AUDIT & GOVERNANCE COMMITTEE - DRAFT WORK PROGRAMME  
2014/15**

(Agenda No. 10)

**RESOLVED:** the Committee noted the Committee's work programme, subject to adding an item on Business Strategies to 26 February Meeting.

Note: Mrs Baxter informed the Committee that she would be unable to attend the meeting set down for April.

..... in the Chair

Date of signing ..... 2014

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**DRAFT  
AUDIT &  
GOVERNANCE  
COMMITTEE  
ANNUAL REPORT  
2013**



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## Chairman's Introduction

As the Chairman of the Audit and Governance Committee I am very pleased to present this annual report which sets out the role of the Audit & Governance Committee, and summarises the work we have undertaken both as a Committee, and through the support of the Audit Working Group in 2013.

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

An important part of being effective as an Audit and Governance Committee is the relationship with both our Internal and External Auditors. We continue to have a strong working relationship with both. In my role as Chairman I meet regularly with the Chief Internal Auditor to ensure the focus of the work programme is relevant.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) in 2006. CIPFA have recently refreshed that guidance so the Committee will review compliance with the new standards during 2014.

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

**COUNCILLOR DAVID WILMSHURST**  
Chairman, Audit & Governance Committee

## Role of the Audit and Governance Committee

The Audit and Governance Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006. The Guidance defines the purpose of an Audit Committee as follows:

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

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

## Key Activities

In this section the activities of the Committee in 2013, including the Audit Working Group, are summarised under the headings of the key functions. Achievements and improvements to which the Audit and Governance Committee has contributed are highlighted.

### Internal Control

The 2012/13 Annual Governance Statement was agreed by the Committee, and included seven areas for action to improve existing governance arrangements. The Committee actively monitors progress with the implementation of these actions.

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

Personal Budgets

Adult Social Care Client Charging including Fairer Charging

Property Leases

Procurement Improvement Project (including management actions arising from the Accounts Payable audit)

The Committee also reviewed the governance around the transfer of Highways operations from Atkins to Skanska.

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

### Key Achievements

- **Material weaknesses identified in key controls with managers supported by the Committee in developing effective actions to address the issues.**
- **New charging policy introduced for Adult Social Care bringing a consistency to the charging methodology.**
- **Review of the end to end process for Fairer Charging, addressing inefficiencies in the system, resulting in significant improvement in the timescales for completing financial assessment.**
- **Review of the end to end purchase to pay process with changes to improve quality and performance. Implementation of a performance dashboard with key indicators for monitoring the purchase to pay process.**
- **Monitoring of management actions applied by the Committee to ensure that significant weaknesses in the system of internal control are being prioritised.**

### Key Areas of Focus Looking Forward to 2014

- **Implementation of a new management information system for Adult Social Care.**
- **Completion of the Lean review within Adult Social Care.**

- **Impact of the Contract Management Framework and Contract Management Application.**
- **Externalisation programme**

### **Risk Management**

At the end of 2012, an external review of the Risk Management Framework was undertaken by Zurich Municipal. In January 2013, the Committee received and agreed the improvement plan.

The risk management annual report confirmed that good progress has been made with the system of risk management, in particular the ownership that Directorates have for the operation of the system and reporting within their own Directorate.

In October 2013, the Committee, through the Audit Working Group has undertaken to review on a cyclical basis, once a year, the risk management process in each Directorate. CEF was the first, and others have been scheduled for the first quarter of 2014.

On October 2013, the corporate lead role for risk management was transferred to the Chief Internal Auditor following a reorganisation within the Chief Executive's Office. The working group has requested quarterly reports highlighting new risks, risks where the scoring has increased, risks where mitigation has not been effective in reducing exposure to target risk levels. These reports will be used in conjunction with the annual directorate reviews to provide assurance on the adequacy and effectiveness of the system of risk management.

### **Key Achievements**

- **Cyclical review of Directorate risk management systems**

### **Key Areas of Focus Looking Forward to 2014**

- **Quarterly reporting on risk management by the corporate lead.**

### **Internal Audit**

The Audit and Governance Committee with the assistance of the Monitoring Officer completed the annual review of the effectiveness of the System of Internal Audit, and concluded it was acceptable. To inform our opinion we met with the Chief Internal Auditor in a private session and were satisfied that he is able to conduct his duties effectively without restriction or undue influence.

We approved the Internal Audit Strategy for 2013/14, and the quarterly Internal Audit Plans, which gives members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The reports of the Chief Internal Auditor to both the Audit and Governance Committee and also the Audit Working Group has enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where



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appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

### **Key Achievements**

- **The Internal Audit function continues to be effective within the organisation and has good engagement with Senior Management and the Committee.**

### **Key Areas of Focus Looking Forward to 2014**

- **Compliance with the Public Sector Internal Audit Standards.**
- **Resourcing remains a risk for Internal Audit. The strategy is for a mainly in-house provision, but recruitment has proved difficult.**

## **External Audit**

The Council's external auditors, Ernst and Young, attended all the committee meetings in 2013, providing regular updates on their work plan and any matters arising. In addition during 2013, they have provided the Committee with sector updates for consideration that highlight key themes, issues and priorities for local government.

The external auditors have an open invitation to attend the Audit Working Group. They do not routinely attend, but do receive all the papers. They attended the Group in September 2013 to assist the Committee in reviewing Pension Scheme fraud risks.

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

### **Key Achievements**

- **Very positive audit reports, in particular the Audit of the Statement of Accounts which once again identified no material issues or matters of concern.**
- **Good engagement with Ernst and Young who have supported member training, and provided sector wide updates on a regular basis for the Committee to consider.**

### **Key Areas of Focus Looking Forward to 2014**

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

## **Anti-Fraud and Corruption**

The Audit Committee receives regular updates from the Chief Internal Auditor on any matters of fraud and corruption. The Committee also approved the Counter-Fraud plan.

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There has been a small increase in the number of financial irregularities that have been identified, and an increase in the instances where internal audit have identified weakness in the control of financial systems being operated within local teams. This has resulted in briefings on governance and counter-fraud to senior managers and their staff.

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

### **Key Achievements**

- **Governance and Counter-fraud briefings to Senior Management and staff.**

### **Key Areas of Focus Looking Forward to 2014**

- **2014/15 Fraud risk assessment and Counter-Fraud Plan**

## **Annual Accounts Process**

The 2012/13 Accounts were prepared on time and presented to the Committee for comment. The received the External Auditors report in September 2013 when it was very pleased to note that high standards had been maintained with no material issues reported.

### **Key Achievements**

- **Once again the Audit of the Statement of Accounts found no material issues.**

### **Key Areas of Focus Looking Forward to 2013**

- **Maintaining the current high standards.**

## **Treasury Management**

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

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

There were no material issues to note; however, the Committee did report to Cabinet a concern with the underperformance of one of the external fund managers highlighted in the mid-term review report.

### **Key Achievements**

- **Oversight of the Treasury Management Process**

### **Key Areas of Focus Looking Forward to 2014**

- **Treasury Management Strategy**

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### **Other functions of the Committee**

The Committee has not received any reports in respect of investigations into allegations of misconduct under members' code of conduct.

The Committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

The Committee has not been called upon to appoint an Appeals and Tribunal Sub Committee.

## Membership, Meetings & Attendance

### **Audit and Governance Committee**

The Audit and Governance Committee comprises of nine elected members representing the three main political parties and a Co-opted Member, Dr Geoff Jones. There were changes to the membership following the elections in May 2013; Cllr Sandy Lovatt, Cllr Surinder Dhesi, Cllr Susanna Pressel and Cllr Janet Godden, replaced Cllr Jim Couchman, Cllr Ray Jelf, Cllr Roy Darke, and Cllr Larry Sanders. Membership of the Committee at the end of 2013 was as follows:

Cllr David Wilmshurst (Chairman), Cllr Charles Mathew (Vice Chairman)  
Cllr Sandy Lovatt, Cllr Lawrie Stratford, Cllr Caroline Newton, Cllr Surinder Dhesi, Cllr Susanna Pressel, Cllr Roz Smith, Cllr Janet Godden, Dr Geoff Jones (Co-opted).

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

### **Officers**

The Audit and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee. In 2013 the Chief Finance Officer (Assistant Chief Executive and Chief Finance Office up to September 2013), the Head of Law and Governance & Monitoring Officer, and the Chief Internal Auditor routinely attended the meetings. These same officers along with the Performance and Review Officer also attended the Audit Working Group meeting.

### **External Audit**

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

### **Meetings**

The Audit and Governance Committee met six times in 2013 and the Audit Working Group met six times. Work programmes are used by both the Audit Committee and the Audit Working Group to ensure requirements of the Committee are fulfilled. The programmes are reviewed with officers at each meeting and added to when appropriate to ensure ad-hoc investigations instigated by the Committee are reported.

**ANNEX 1 - Audit & Governance Committee Functions**

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

- (1) The functions relating to elections specified in Section D of Schedule 1 to the Functions Regulations.
- (2) The functions in relation to the designation of particular officers for certain purposes specified in Paragraphs 39, 40, 43 and 44 in Section I of Schedule 1 to the Functions Regulations.
- (3) The functions in relation to the approval of the statement of accounts etc. specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control).
- (4) To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources:
  - to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;
  - to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and
  - to ensure coordination between internal and external audit plans to maximise the use of resources available as part of a total controls assurance framework;and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.
- (5) To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or the Council's External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.
- (6) To systematically monitor:
  - the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time;
  - the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties are fulfilled;
  - resourcing for the service, making recommendations to the Cabinet and Council on the budget for the service;

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- arrangements for the prevention and detection of fraud and corruption; and
- the system for Treasury Management

and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

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

Responsibilities:

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

Membership:

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

- (i) A member of the Audit & Governance Committee (or substitute)
- (ii) Two other members of the Council (one being a Cabinet member in the case of Fire Discipline issues)

## ANNEX 2 - Audit Working Group Terms of Reference

### Membership

The Audit Working Group shall comprise of:-

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

The Chief Finance Officer, the Monitoring Officer and Head of Law and Governance, and the Chief Internal Auditor, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit and Governance Committee can attend Audit Working Group Meetings as observers.

### Role

The Audit Working Group shall:

act as an informal working group of the Audit and Governance Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference (Part 2 Article 8 Section 1a of the Constitution);

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

consider issues arising in detail as requested by the Audit and Governance Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Chief Internal Auditor only.

## **AG5**

### **Reporting**

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

### **Meeting**

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

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

### **Confidentiality**

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

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

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a 'need to know' as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

Updated .....February 2014

Review Date.....February 2015

Officer Responsible      Ian Dyson, Chief Internal Auditor  
Telephone 01865 (32)3875  
ian.dyson@oxfordshire.gov.uk



Audit and Governance Committee  
Oxfordshire County Council  
County Hall  
New Road  
Oxford  
OX1 1ND

17 February 2014

Ref: OCC Grants

Direct line: 07769 932604

Email: mgrindley@uk.ey.com

Dear Members

## **Certification of claims and returns annual report 2012-13 Oxfordshire County Council**

We are pleased to report on our certification work. This report summarises the results of our work on Oxfordshire County Council's 2012-13 claims and returns.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

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. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

### **Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

### **Summary**

We reviewed one claim during the year, Teachers' Pension return, on a full review under the Audit Commission regime. The claim did not need an amendment or a qualification letter.

### **Teachers Pension return**

<b>Scope of work</b>	<b>Results</b>
Value of return presented for certification	£ 30,354,673.63
Limited or full review	Full review
Amended	No
Qualification Letter	No
Fee - 2011/12	£1,161
- 2012/13	£ 970

The Department of Work and Pensions requires me to check the return for the teachers' pension scheme, which runs 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.

Working papers and responses to queries were accurate and prompt and this enabled me to deliver my work on time and to budget.

### **Certification fees**

We charged £970 in total for grant certification work in 2012/13 and £9,306 for 2011/12. The overall cost of certification has reduced because we are no longer required to certify the EBITT claim under the Audit Commission regime. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

Our work on the EBITT claim has been reported separately.

Claim or return	2011-12	2011-12	2012-13	2012-13
	Actual fee	2011-12 fee less 40% reduction	Indicative fee	Actual fee
	£	£	£	£
Certification of claims and returns	8,123	4,874	8,100	970
Grant planning, supervision and review (1)	1,183	710	0	0
<b>Total</b>	<b>9,306</b>	<b>5,584</b>	<b>8,100*</b>	<b>970</b>

Grant planning, supervision and review (1) is included in the indicative fee proposed by the Audit Commission. A refund of £7,130 has been made to the Council.

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2013-14 is £700. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-> We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fees.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

Yours faithfully



Maria Grindley  
Director  
Ernst & Young LLP  
United Kingdom

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# Audit Plan

Year end 31 March 2014

Oxfordshire County Council

26 February 2014

Ernst & Young LLP



Audit and Governance Committee  
Oxfordshire County Council  
County Hall  
New Road  
Oxford  
OX1 1ND

26 February 2014

Dear Councillor Wilmshurst

## **Audit Plan**

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

This report summarises our assessment of the key risks which drive the development of an effective audit for the Oxfordshire County Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 26 February 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

**Maria Grindley**  
For and behalf of Ernst & Young LLP  
Enc

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

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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

# 1. Overview

## Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of Oxfordshire County Council (the Council) give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council arrangements to secure economy, efficiency and effectiveness.

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

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

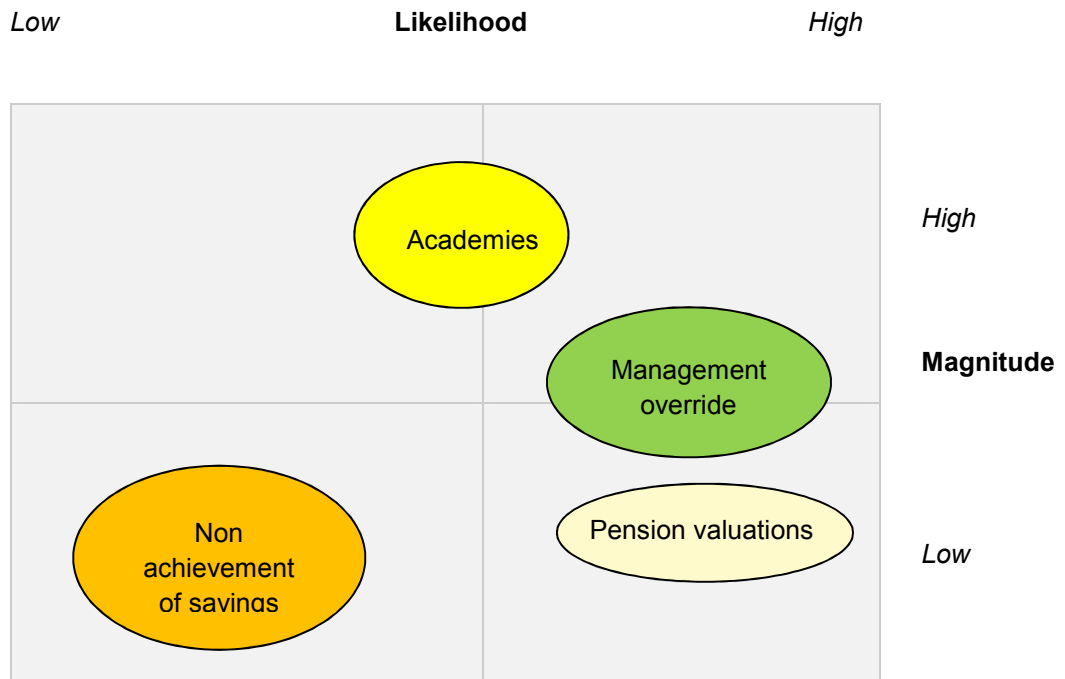
- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.





By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

The diagram below sets out the risks we have identified to the financial statements audit and value for money audit conclusion. In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit and other risks, and outline our plans to address these risks.





-  Presentation and Disclosure
-  Judgements
-  Valuation
-  Value for money risk

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

### **Our process and strategy**

- ▶ Financial statement audit
  - ▶ We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.
  - ▶ We aim to rely on the Council's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
  - ▶ To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit wherever possible. We have already liaised with internal audit and have agreed a detailed approach to reliance and joint working.

- ▶ There has been no change to the scope of our audit compared to previous audits.
- ▶ Arrangements for securing economy, efficiency and effectiveness

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

## 2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing the Council identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks	Our audit approach
<b>Academies</b>	
<p>26 schools have and another 3 are planning to move to academy status during 2013/14. This will have an impact on how you account for the schools property, plant and equipment (ppe), expenditure and income such as Direct Schools Grant.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Evaluating the management controls in place to ensure the appropriate accounting entries are made;</li> <li>▶ Undertaking testing to ensure that academy property, plant and equipment is appropriately removed from the Statement of Financial Position; and</li> <li>▶ Ensuring the Comprehensive Income and Expenditure Statement only includes amounts relating to LEA controlled schools.</li> </ul>
<b>Risk of management override</b>	
<p>As identified in ISA (UK &amp; Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ Reviewing accounting estimates for evidence of management bias; and</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul>
<b>Other financial statement risks</b>	
<b>Pensions valuations</b>	
<p>The financial statements include a number of significant valuations in respect of pension obligations. These include the estimated liability on the pension fund as well as movements and charges in year. These figures are accounting estimates with a high degree of uncertainty attached to them.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Evaluating the management controls in place to ensure the appropriate information is shared with the actuaries;</li> <li>▶ Assess the appropriateness of using the work of the actuary as a basis for accounting entries; and</li> <li>▶ Ensuring the statements accurately reflect the figures provided by the actuary.</li> </ul>

### Respective responsibilities in relation to fraud and error

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

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

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

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

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

### 3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Specific risks	Impacts arrangements for securing:	Our audit approach
<b>Achievement of savings plan</b>		
The Council has a medium term plan for savings to achieve financial balance. The plans are risk rated and monitored on a number of levels. Achievement of the plans to date has been good however a risk remains around increasing financial pressure in the future.	Financial resilience	Our approach will focus on: <ul style="list-style-type: none"> <li>▶ Reviewing the position against budget on an ongoing basis and at year end</li> <li>▶ Understand the Council's response to significant financial pressures such as the spending review.</li> </ul>

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

#### i) Financial Statement Audit

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

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

#### ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

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

### 4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls;
- ▶ Review and re-performance of the work of your internal auditors;
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ Substantive tests of detail of transactions and amounts.

## Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls:

- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Cash processing
- ▶ Payroll and
- ▶ Property, plant and equipment.

Investments, loans and cash balances will be tested substantively at year end.

## Analytics

We aim to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

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

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

## Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements and/or the value for money conclusion.

We will seek to place reliance on the work of internal audit wherever possible in line with auditing standards. We have already liaised with internal audit and have agreed a detailed approach to reliance and joint working.

## Use of experts

We will utilise EY pensions experts to help us to form a view on assumptions and judgments made by actuaries.

We will utilise the work of management's valuation experts in auditing the property, plant and equipment balances and the work of Oxfordshire Pension Fund's actuaries in setting IAS19 figures.

## Other procedures

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

## Mandatory procedures required by auditing standards

In addition to the financial statement risks outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other

regulations. We outline below the procedures we will undertake during the course of our audit.

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

#### ***Procedures required by the Code***

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

### **4.3 Materiality**

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

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

### **4.4 Fees**

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £146,610.

### **4.5 Your audit team**

The engagement team is led by Maria Grindley who has significant experience of the audit. Maria is supported by Alan Witty who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the chief accountant.

### **4.6 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government accounts; and the deliverables we have agreed to provide to you through the audit committee cycle in 2014. These dates are



determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a report to the Audit and Governance Committee in July and September, incorporating the outputs from the interim audit and our year-end procedures respectively. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

<b>Audit phase</b>	<b>Timetable</b>	<b>Timetable Audit &amp; Governance Committee</b>	<b>Deliverables to Audit And Governance Committee</b>
High level planning:	<b>November – December</b>	February	Audit Plan
Testing of routine processes and controls	<b>January – April</b>	July	Progress Report
Value for money conclusion	<b>February – April</b>	July	Progress Report
Year-end audit including WGA	<b>July – September</b>	September	Reports to those charged with governance Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, plus Pension Fund opinions). Audit completion certificate Whole of Government Accounts Certification
Reporting	<b>November</b>	November	Management Letter
Grant claims	<b>July – November</b>	November	Report on the audit of grant claims

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

## 5. Independence

### 5.1 Introduction

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

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

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

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

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

## 5.2 Relationships, services and related threats and safeguards

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

### ***Self-interest threats***

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

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

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

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

### ***Management threats***

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

### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

### ***Overall Assessment***

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

## 5.3 Other required communications

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013/14 £'000	Actual Fee 2012/13 £'000	Explanation of variance
<b>Total Audit Fee – Code work</b>	<b>146,610</b>	<b>146,610</b>	
Certification of claims and returns <sup>1</sup>	700	970	2013/14 planned fee is set by the Commission based on the fee charged for 2011/12, adjusted to reflect the savings from the audit Commission procurement exercise and was reduced from £8,100 to £970 because we no longer had to audit the Employment Based Initial Training under the Audit Commission regime.

<sup>1</sup> Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

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

- ▶ Officers meeting the agreed timetable of deliverables.
- ▶ We are able to place reliance, as planned, on the work of internal audit.
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year.
- ▶ No significant changes being made by the Audit Commission to the value for money criteria on which our conclusion will be based.
- ▶ Our accounts opinion and value for money conclusion being unqualified.
- ▶ Appropriate quality of documentation is provided by the audited body.
- ▶ There is an effective control environment.
- ▶ There are no questions asked or objections made by local government electors.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

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

## Appendix B UK required communications with those charged with governance.

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

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

Required communication	Reference
<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Plan
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the audited body and senior management</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ statement of compliance with the ethical standards</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Report to those charged with governance</p>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<p>Report to those charged with governance</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Report to those charged with governance</p>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary</p>

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Division(s): All

## **AUDIT & GOVERNANCE COMMITTEE – 26 FEBRUARY 2014**

### **SCALE OF ELECTION FEES AND EXPENDITURE 2014-15**

**Report by County Solicitor and Monitoring Officer**

#### **Introduction**

1. Each year the Council needs to set a scale of election fees and expenditure for the holding of elections of county councillors. The Committee are requested to approve the proposed Scale of Expenditure as set out for any by-elections of County Councillors that may be held during 2014/15.
2. The same scale of expenditure will be used for any local referendums e.g. a council tax or mayoral referendum.

#### **Purpose of the Scale of Fees**

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

#### **Levels for 2014/15**

6. It is proposed for the fees and levels of expenditure to remain as in 2013/14, with the exception of the Polling Station Inspectors. It is suggested that a flat-rate fee should be paid to Polling Station Inspectors rather than a rate per polling station. This is in line with the approach taken for polling station staff.
7. The City and District Councils have indicated that the proposed scale of fees would be acceptable to them in the running of elections on the County Council's behalf.

#### **Financial and Staff Implications**

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

**RECOMMENDATION**

9. **The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2014/2015 for the election of County Councillors and any other local referendums.**

Peter G Clark  
County Solicitor and Monitoring Officer

Contact Officer: Rachel Dunn, Senior Democracy Officer  
Contact Number: 01865 815279  
Background papers: Nil

February 2014

**OXFORDSHIRE COUNTY COUNCIL**

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

**PROPOSED**

**SCALE OF EXPENDITURE FOR ELECTIONS OF COUNTY COUNCILLORS**

(Applicable to elections held during period 1 April 2014 to 31 March 2015)

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

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

**PART I - UNCONTESTED ELECTION**

<b>A – FEES</b>	<b>Existing</b>	<b>Proposed (same as existing unless specified)</b>
1. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of .....	1-member £43.95 2-member £87.90	
2. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of .....	1-member £29.15 2-member £58.30	
<b>B – DISBURSEMENTS</b>		
3. Preparation of poll cards and postal vote cards		
(a) For supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of.....	1-member £18.40 2-member £36.80	

	<b>Existing</b>	<b>Proposed</b> (same as existing unless specified)
(b) For the employment of persons in connection with preparation and issue of official poll and postal vote cards. For every 100 cards or fraction thereof for each Electoral Division, a fee of.....	£2.30	
4. For the employment of persons for clerical and other assistance. For each Electoral Division .....	1-member £21.50 2-member £43.00	
5. Travelling expenses of the Returning Officer, Deputy Returning Officer and Assistants. Per mile.....	£0.45	
6. For printing and providing forms, notices and other documents required for the election, including the printing costs, computer charges and all associated costs of producing official poll and postal vote cards, together with advertising expenses, postage, telephone calls and miscellaneous expenses	Actual and necessary cost	

**PART II - CONTESTED ELECTION**

**A – FEES**

	<b>Existing</b>	<b>Proposed</b>
7. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of.....	1-member £91.30 2-member £182.60	
8. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of .....	1-member £86.90 2-member £173.80	

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

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

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

9A. For each Recount..... £14.00

#### **B – DISBURSEMENTS**

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

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

12. An additional poll clerk may be employed full-time or part-time at a polling station at the discretion of the Returning Officer or his duly appointed Deputy Returning Officer, and may be paid an appropriate proportionate amount within the fee payable under item 11 of this scale.

13. For the provision of training for polling station staff, including a payment for staff undertaking the training	£30.00 per presiding officer and poll clerk
14. Counting/Verification Supervisor:	

A fee of

(a) for the first hour.....	£16.00
(b) for each half hour thereafter or part thereof.....	£8.00

	Existing	Proposed (same as existing unless specified)
15. Counting/Verification Assistant:		
A fee of		
(a) for the first hour.....	£12.00	
(b) for each half hour thereafter or part thereof.....	£6.00	
16. For the employment of persons for clerical and all other assistance other than where separate fees are provided. For each Electoral Division.....	1-member £108.50 2-member £217.00	
17. Preparation and issue of poll cards and postal vote cards	1-member £18.45	
(a) For supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of.....	2-member £36.90	
(b) For the employment of persons in connection with preparation and issue of official poll and postal vote cards. For every 100 cards or fraction thereof for each Electoral Division, a fee of.....	£2.30	
18. To an officer designated by the Returning Officer or his duly appointed Deputy, for inspection and supervision of polling stations. A fee of.....	£7.75 per polling station	£190.00
19. For preparation of ballot boxes. For each polling station, a fee of.....	£3.65	
20. For issue and receipt of postal ballot papers. For each Electoral Division		
(a) where the number of postal ballot papers issued is less than 25, a fee of.....	£24.10	
(b) plus for each additional 25 or part thereof issued thereafter, a fee of.....	£11.55	

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

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

Peter G Clark, County Solicitor and Monitoring Officer  
February 2014

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## **AUDIT and GOVERNANCE COMMITTEE – 26 February 2014**

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

The Audit Working Group met on 13 February 2014

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr Wilmshurst; Cllr Mathew; Cllr. Roz Smith; Peter Clark; Sean Collins; Ian Dyson; and, Alan Witty (Ernst & Young)

Part meeting only: AWG13.49 John Dixon, Kate Macleod, Graham Shaw, and Aisling O'Sullivan Darcy; AWG13.50 Trevor Askew and Karen Lister; AWG13.52 Simon Belcher; AWG13.53 Paul Beasley.

Observer: Cllr Pressel and Cllr Stratford

Apologies: Lorna Baxter.

Main business items of the meeting were as follows:

#### **AWG13.49 Client Charging Update**

The Group was pleased to note that all the management actions arising from the Internal Audit report have been completed. The Group received the latest monitoring information in respect of Fairer Charging Financial Assessments process, including the accuracy of referrals; timeliness of assessments; and the potential /actual foregone income resulting from any delays in financial assessments. The Group noted that the good performance levels reported in November have been sustained, and received assurance from the Managers that the routine monitoring of performance levels is embedded as usual practice. The group was assured that the financial assessment process is now under control and being managed effectively. It was confirmed that this area would be subject to an internal audit in 2014/15, and in the meantime the Manager was requested to report to the Chief Internal Auditor, who in turn will report to the AWG, any material change to the current performance and levels of foregone income.

The second part of the update focussed more specifically on the progress of the Lean review within Adult Social Care, and the implementation of a new Management Information System. The Group noted the strategy for aligning the Lean Review and the new IT system, in particular noting how the Lean review will enable the management of culture change, and also data cleansing, both of which are essential for the effective operation of a new IT system.

The Group and the Officers agreed that the Audit and Governance Committee should have oversight of the progress with the Lean Review and of the implementation of a new IT system. It is suggested that the Committee should receive the first report to their September meeting.

#### **AWG13.50 Property Leases**

The Group received the list of outstanding property leases and noted the improved position since the last report. Although the improved position was accepted, it was noted the report was showing the comparative values outstanding per annum,

whereas members suggested it should be presented as the total income "at risk", as there remains a small number of low value leases that have been outstanding for a longer period. Overall the Group is now satisfied that there is governance in place for the effective management and monitoring of property leases, so no further reports have been requested.

#### **AWG13.51 Audit Commission Fraud Briefing**

The External Auditor presented the fraud briefing they received from the Audit Commission which included comparative data for Oxfordshire County Council against other County Councils. The Group considered the report and concluded that it did not highlight any areas for concern or additional action required.

#### **AWG13.52 Oxfordshire Fire & Rescue Service (OFRS) Risk Management Process**

As part of the cyclical review of Directorate risk management processes, the Integrated Risk Manager from OFRS attended the meeting, presenting the strategic risk register and the risk management policy. The Group was happy with the governance in place and the assurance it provides over the risk management process.

Members were aware that the officer presenting to the Group had been on duty the night before, helping with the management of the flood crisis. Members expressed their thanks to the Officer, and their gratitude to the OFRS for their excellent support and action in dealing with the consequences of these adverse conditions.

#### **AWG13.53 Internal Audit Report**

The latest action tracking report did not highlight any areas for concern.

Since the last report to Committee, the Information Governance audit has been concluded with an opinion of "unacceptable" control. The Group was assured by the Head of Law and Governance that immediate action has been taken to initiate improvements in the overall monitoring and control of Information Governance, including closer working with ICT on problem solving. The Chief Internal Auditor will provide an update on the action taken following this audit in report to the Committee in April 2014.

The Group was given an update on a recent investigation of fraud that included theft of monies due to the Council. The "zero" tolerance policy has been applied; an officer has been dismissed through the disciplinary process and the matter is now subject to a police investigation. The Finance Business Partner, and Internal Audit, has been supporting the team in implementing new procedures and systems to address the control weaknesses that created the opportunity for fraud.

#### **AWG13.54 AWG Terms of Reference**

The terms of reference were reviewed by the Group, with only minor changes reflecting post titles of officers are suggested. The revised terms of reference is annex 1 to this report for the approval of the Committee.

## Work Programme

The date and time of meetings for the remainder of 2014, and the indicative work programme is attached as annex 2 to this report. There one matter to note, and one that requires a decision by the Committee:

To note, all future AWG meetings have been scheduled for the afternoon, generally to start at 2:00pm, with the exception of the new meeting date, 8 May 2014, which is scheduled to start at 2:30pm.

There is no date scheduled for the annual private meeting with the External Auditors, and then separately with the Chief Internal Auditor. The Committee are asked to agree a date.

## Recommendations

The Committee is **RECOMMENDED** to

- a) **note the report, and the timetable of future meetings;**
- b) **Receive regular updates on the Lean project and Adult Social Care management information commencing September 2014;**
- c) **Agree the revised AWG terms of reference;**
- d) **Agree a date for the private sessions with External Auditor and the Chief Internal Auditor.**

Lorna Baxter  
Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor Tel 01865 323875  
[ian.dyson@oxfordshire.gov.uk](mailto:ian.dyson@oxfordshire.gov.uk)

**ANNEX 1**

**Audit Working Group Terms of Reference**

**Membership**

The Audit Working Group shall comprise of:-

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

The Chief Finance Officer, the Monitoring Officer and Head of Law and Governance, and the Chief Internal Auditor, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit and Governance Committee can attend Audit Working Group Meetings as observers.

**Role**

The Audit Working Group shall:

act as an informal working group of the Audit and Governance Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference (Part 2 Article 8 Section 1a of the Constitution);

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

consider issues arising in detail as requested by the Audit and Governance Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Chief Internal Auditor only.

**Reporting**

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

**Meeting**

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

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

**Confidentiality**

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

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

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a 'need to know' as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

Updated .....February 2014

Review Date.....February 2015

Officer Responsible      Ian Dyson, Chief Internal Auditor  
   Telephone 01865 (32)3875  
   lan.dyson@oxfordshire.gov.uk

**ANNEX 2**

**AUDIT WORKING GROUP  
TIMETABLE AND WORK PROGRAMME 2014/15**

**2014**

**Thursday 20 March 2:00-4:00**

- Risk Management Report
- SCS Risk Management Review TBC
- E&E Risk Management Review

**8 May 2014 - 14:30 - 16:30**

- Internal Audit Update

**19 June 2014 - 14:00 -16:00**

- Internal Audit Update
- Risk Management Update
- Draft AGS

**04 September 2014 - 14:00 - 16:00**

- Internal Audit Update

**02 October 2014 - 14:00 - 16:00**

- Risk Management Update
- CEF Risk Register

**06 November 2014 - 14:00 - 16:00**

- Internal Audit Update

**11 December 2014 - 14:00 - 16:00**

- Risk Management Update
- EE Risk Register

**To be considered:**

- 1) Dates for private session with the Chief Internal Auditor, and the External Auditors

Ian Dyson  
Chief Internal Auditor

## AUDIT & GOVERNANCE COMMITTEE – 26 FEBRUARY 2014

### WORK PROGRAMME 2014

#### 2014

##### **Wed 23 April 2014**

2012/13 AGS Actions progress report (David Illingworth)  
Code of Corporate Governance – Peter Clark  
Review of System of Internal Audit - Peter Clark  
Internal Audit Progress Report 2013/14 - Ian Dyson  
Report on Public Sector Internal Audit Standards - Ian Dyson  
Audit Plan – Ernst & Young  
Internal Audit Services – Internal Audit Strategy – Ian Dyson  
Business Strategy - Arrangements in place for Implementation – Lorna Baxter

##### **Wed 2 July 2014**

Annual Governance Statement - 2013/2014 (David Illingworth)  
Review of new Scrutiny/Governance Arrangements – July 2014  
Progress Report – Ernst & Young

##### **Wed 17 September 2014**

Final Accounts Report (those charged with Governance) – Ernst & Young

##### **Wed 19 November 2014**

Annual Letter – Ernst & Young

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

- Audit Working Group Reports  
(Ian Dyson)
- Audit & Governance Committee Work Programme – update/review  
(Committee Officer/Chairman/relevant officers)

#### ***Other matters***

Risk Management Strategy

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

Code of Corporate Governance – Peter Clark

## AG10

Future of Adult Social Care in Oxfordshire – Regular Progress update on Implementation Plan

Background Papers Nil

Contact officer: Deborah Miller, Committee Officer Tel: (01865) 815384  
Andrea Newman, Committee Officer Tel: (01865) 810283